

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 1, 2001

REGISTRATION NO. 333-65094

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

CHARTER COMMUNICATIONS HOLDINGS, LLC  
AND

CHARTER COMMUNICATIONS HOLDINGS  
CAPITAL CORPORATION  
(EXACT NAME OF REGISTRANTS AS SPECIFIED IN THEIR CHARTERS)

43-1843179	DELAWARE	4841
43-1843177	DELAWARE	4841

(STATE OR OTHER JURISDICTION (PRIMARY STANDARD INDUSTRIAL  
(FEDERAL EMPLOYER (FEDERAL EMPLOYER  
OF INCORPORATION OR ORGANIZATION) CLASSIFICATION CODE NUMBER)  
IDENTIFICATION NUMBER)

CHARTER PLAZA

12405 POWERSCOURT DRIVE

ST. LOUIS, MISSOURI 63131  
(314) 965-0555

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE  
NUMBER, INCLUDING AREA CODE, OF REGISTRANTS'  
PRINCIPAL EXECUTIVE OFFICES)

CURTIS S. SHAW, ESQ.  
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

CHARTER PLAZA

12405 POWERSCOURT DRIVE

ST. LOUIS, MISSOURI 63131  
(314) 965-0555

(NAME, ADDRESS, INCLUDING ZIP CODE, AND  
TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

DANIEL G. BERGSTEIN, ESQ.  
SEGEL, ESQ.  
LEIGH P. RYAN, ESQ.

ALVIN G.  
IRELL &

MANELLA LLP

PATRICIA M. CARROLL, ESQ.

1800 AVENUE OF THE

STARS, SUITE 900

PAUL, HASTINGS, JANOFSKY & WALKER LLP

LOS ANGELES,

CALIFORNIA 90067-4276

399 PARK AVENUE

(310)

277-1010

NEW YORK, NEW YORK 10022

(212) 318-6000

-----

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED EXCHANGE OFFER: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

-----

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

-----  
-----

\$1,943,000,000

Offer to Exchange

9.625% Senior Notes due 2009, 10.000% Senior Notes due 2011 and  
 11.750% Senior Discount Notes due 2011  
 for any and all outstanding  
 9.625% Senior Notes due 2009, 10.000% Senior Notes due 2011 and  
 11.750% Senior Discount Notes due 2011,  
 respectively, of

CHARTER COMMUNICATIONS HOLDINGS, LLC  
 and  
 CHARTER COMMUNICATIONS HOLDINGS  
 CAPITAL CORPORATION  
 -----

- This exchange offer expires at 5:00 p.m., New York City time, on September 5, 2001, unless extended.
- No public market exists for the original notes or the new notes. We do not intend to list the new notes on any securities exchange or to seek approval for quotation through any automated quotation system.  
 -----

SEE "RISK FACTORS" BEGINNING ON PAGE 14 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY HOLDERS WHO TENDER THEIR ORIGINAL NOTES IN THE EXCHANGE OFFER AND BY PURCHASERS OF THE NOTES FROM PERSONS ELIGIBLE TO USE THIS PROSPECTUS FOR RESALES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any State in which the offer or sale would be unlawful.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-b OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-b IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The date of this prospectus is August 1, 2001.

## TABLE OF CONTENTS

	PAGE	Additional
Information.....	ii	
Summary.....		
	1	Risk
Factors.....	14	
		Forward-Looking
Statements.....	27	Ratio of
Earnings to Fixed Charges.....	27	
Capitalization.....		
	28	Unaudited Pro Forma Financial
Statements.....	30	Selected Historical
Financial Data.....	44	Management's
Discussion and Analysis of Financial Condition and Results		
of Operations.....	45	The
Exchange Offer.....	66	
Business.....		
	75	Regulation and
Legislation.....	93	
Management.....		
	101	Principal
Shareholders.....	113	
		Certain Relationships and Related
Transactions.....	115	Description of Certain
Indebtedness.....	126	Description of
Notes.....	141	Material
United States Federal Income Tax Considerations....	180	
		Plan of
Distribution.....	188	
		Legal
Matters.....	188	
Experts.....		
	188	Index to Financial
Statements.....	F-1	

## ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-4 (File No. 333-65094). This prospectus, which forms part of this registration statement, does not contain all the information included in the registration statement. For further information about us and the securities offered in this prospectus, you should refer to the registration statement and its exhibits.

We file annual, quarterly and special reports and other information with the SEC. You may read and copy at prescribed rates any document we file at the SEC's public reference rooms at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at 3475 Lenox Road, N.E., Suite 1006, in Atlanta, Georgia 30326-1232. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC's Web site at [www.sec.gov](http://www.sec.gov).

Our principal executive offices are located at Charter Plaza, 12405 Powerscourt Drive, St. Louis, Missouri 63131. Our telephone number is (314) 965-0555 and our Web site is located at [www.charter.com](http://www.charter.com). The information on our Web site is not part of this prospectus.

The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information superseded by this prospectus. The prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents, listed below, contain important information about the issuers of the notes:

- (1) Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) Quarterly Reports on Form 10-Q for the quarter ended March 31, 2001;
- (3) Current Reports on Form 8-K filed January 8, 2001, March 5, 2001, March 12, 2001, March 16, 2001, May 9, 2001, May 10, 2001, May 24, 2001, June 1, 2001, July 6, 2001 and August 1, 2001.

We are also incorporating by reference additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the expiration of this exchange offer. If you are a noteholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them through us or the SEC. Documents incorporated by reference are available from us without charge, unless we have specifically incorporated by reference an exhibit into a document that this prospectus incorporates. You may obtain documents incorporated by reference into this prospectus by requesting them in writing or by telephone from: Charter Communications Holdings, LLC, Attention: Investor Relations at the address indicated above.

## SUMMARY

The following summary contains a general discussion of our business, the exchange offer and summary financial information. It likely does not contain all the information that is important to you in making a decision to tender your original notes in exchange for new notes. For a more complete understanding of the exchange offer, you should read this entire prospectus and the other documents to which we refer. Unless stated otherwise, the discussion of our business in this prospectus includes Charter Communications Holdings, LLC and its direct and indirect subsidiaries.

## OUR BUSINESS

We are the fourth largest operator of cable systems in the United States, serving approximately 7 million customers.

We offer a full range of traditional analog cable television services in all of our systems. In an increasing number of our systems, we are offering digital cable television services, along with an array of advanced products and services, such as interactive video programming, which allows information to flow in both directions, high-speed Internet access and video-on-demand. We continue to explore opportunities to offer telephony through our broadband network. The introduction and roll-out of these new products and services represents an important step toward the realization of our Wired World(TM) vision, where cable's ability to transmit voice, video and data at high speeds enables it to serve as the primary platform for the delivery of new services to the home and workplace.

We have grown rapidly over the past several years. In the 16 acquisitions completed in 1999 and 2000, we added approximately 3.9 million customers. In addition, we have expanded our customer base through significant internal growth. For the year ended December 31, 2000, our internal customer growth, without giving effect to the cable systems we acquired in 2000, was 2.5%, almost twice the industry average of 1.3%. In June 2001, we added 554,000 customers as a result of transactions with AT&T.

Our principal executive offices are located at Charter Plaza, 12405 Powerscourt Drive, St. Louis, Missouri 63131. Our telephone number is (314) 965-0555 and our web site is located at [www.charter.com](http://www.charter.com). The information on our web site is not part of this prospectus or the documents incorporated herein by reference.

## BUSINESS STRATEGY

Our objective is to increase our operating cash flow by increasing our customer base and the amount of cash flow per customer. To achieve this objective, we are pursuing the following strategies:

- upgrade the bandwidth capacity of our systems to 550 megahertz or greater to enable greater channel capacity and add two-way capability to facilitate interactive communication;
- expand the array of services we offer to our customers through the implementation of our Wired World vision;
- maximize customer satisfaction by providing reliable, high-quality service offerings, superior customer service and attractive programming choices at reasonable rates; and
- employ innovative marketing programs tailored to local customer preferences to generate additional revenues.

## CHARTER ORGANIZATIONAL STRUCTURE

The new notes to be issued in the exchange offer will be issued by Charter Communications Holdings, LLC and Charter Communications Capital Corporation, the co-issuers of the original notes.

The chart below sets forth our organizational structure as of June 30, 2001 and that of our direct and indirect parent companies. Ownership percentages are as of June 30, 2001.

## [CHARTER COMMUNICATIONS FLOW CHART]

- \* Includes 25,673,870 shares of Charter Communications, Inc. Class A common stock issued in connection with certain acquisitions. These shares are unregistered and are subject to certain restrictions on transfer.
- \*\* These membership units are exchangeable at any time for shares of Charter Communications, Inc. Class B common stock which are in turn convertible into shares of Charter Communications, Inc. Class A common stock.
- \*\*\* Certain former owners of Bresnan own a minority equity interest in Charter Communications Holding Company and other former owners of Bresnan own 100% of the preferred equity interests in CC VIII, LLC, a subsidiary of the Avalon notes issuers. These equity interests are exchangeable at any time for shares of Charter Communications, Inc. Class A common stock on a one-for-one basis. See "Business -- Charter Organizational Structure -- Former Owners of Bresnan."

For a more detailed description of each entity and how it relates to us, see "Business -- Charter Organizational Structure."

## RECENT EVENTS

## SUMMARY OF SECOND QUARTER RESULTS

For the second quarter of 2001, Charter Holdings actual revenues were \$928.5 million, an increase of 16.8% over revenues for the second quarter of 2000. Loss from operations for the second quarter of 2001 was \$295.0 million, an increase of 22.7% compared to the loss from operations for the second quarter of 2000. Net loss was \$627.3 million, an increase of 27.1% compared to the net loss of \$493.7 million for the second quarter of 2000.

For the second quarter of 2001, Charter Holdings pro forma revenues were \$1,010.8 million, an increase of 15.3% over the pro forma revenues for the second quarter of 2000. Pro forma loss from operations for the second quarter of 2001 was \$304.3 million, an increase of 18.0% compared to the pro forma loss from operations for the second quarter of 2000. Pro forma net loss was \$644.0 million, an increase of 17.7% compared to the pro forma net loss of \$547.0 million for the second quarter of 2000. The pro forma results reflect all acquisitions and dispositions of cable systems closed during 2000, the AT&T transactions closed on June 30, 2001, borrowings under the Charter Holdings 2000 senior bridge loan facility, issuance of the October 2000 senior convertible notes, issuance of the January 2000, January 2001 and May 2001 Charter Holdings notes, issuance by Charter Communications, Inc. of 60,247,350 shares of common stock, issuance of the May 2001 senior convertible notes and application of the proceeds from all such borrowings to repay portions of other notes and credit facilities.

## AT&amp;T TRANSACTIONS

In June 2001, we completed several strategic cable system transactions with AT&T resulting in a net addition of approximately 554,000 customers in Missouri, Alabama, Nevada and California for a total of \$1.77 billion, consisting of \$1.75 billion in cash and a cable system valued at \$24 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- AT&T Transactions."

## CHARTER COMMUNICATIONS, INC. SALE OF MAY 2001 CONVERTIBLE SENIOR NOTES

In May 2001, Charter Communications, Inc. issued 4.75% convertible senior notes due 2006 in the aggregate principal amount of \$632.5 million. Charter Communications, Inc. used the net proceeds from the sale of these notes to purchase from Charter Communications Holding Company, LLC a mirror convertible senior note with terms substantially similar to the terms of the convertible senior notes issued by Charter Communications, Inc. Charter Communications Holding Company used the net proceeds from the sale of the mirror convertible note to purchase common equity in Charter Holdings, which in turn used the proceeds it received for working capital purposes and capital expenditures.

## CHARTER COMMUNICATIONS, INC. SALE OF CLASS A COMMON STOCK

In May 2001, Charter Communications, Inc. sold shares of its Class A common stock for total proceeds of approximately \$1.21 billion. Charter Communications, Inc. used the net proceeds from the sale to purchase additional membership units in Charter Communications



Holding Company which used \$710.9 of such proceeds to purchase common equity in Charter Holdings. We used such proceeds for working capital purposes and capital expenditures.

#### CHARTER HOLDINGS JANUARY 2001 SENIOR NOTES

In January 2001, Charter Communications Holdings, LLC and Charter Capital issued 10.750% senior notes due 2009 in the aggregate principal amount of \$900 million, 11.125% senior notes due 2011 in the aggregate principal amount of \$500 million and 13.500% senior discount notes due 2011 in the aggregate principal amount at maturity of \$675 million in Rule 144A and Regulation S private placements. The net proceeds were used to repay all remaining amounts outstanding under the Charter Holdings 2000 senior bridge loan facility and the CC VI (Fanch) revolving credit facility and a portion of amounts outstanding under the Charter Operating and CC VII (Falcon) revolving credit facilities. In March 2001, we exchanged the notes for new notes with substantially similar terms, except that the new notes are registered under the Securities Act of 1933. See "Description of Certain Indebtedness -- Existing Public Debt."

#### BRESNAN/AVALON COMBINATION

On December 22, 2000, Charter Holdings contributed all of its equity interests in CC VIII, LLC to CC V Holdings, combining the cable systems acquired in the Avalon and Bresnan acquisitions below CC V Holdings. In connection with this combination, in January 2001, all amounts due under the Avalon credit facilities were repaid and such credit facilities were terminated. At the same time, the Bresnan credit facilities were amended and restated to, among other things, increase borrowing availability by \$550.0 million. See "Description of Certain Indebtedness -- Existing Credit Facilities."

## THE EXCHANGE OFFER

## Resales Without Further

## Registration.....

We believe that the new notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, as amended, provided that:

- you are acquiring the new notes issued in the exchange offer in the ordinary course of your business;
- you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, the distribution of the new notes issued to you in the exchange offer, and;
- you are not our "affiliate," as defined under Rule 405 of the Securities Act.

Each of the participating broker-dealers that receives new notes for its own account in exchange for original notes that were acquired by such broker or dealer as a result of market-making or other activities must acknowledge that it will deliver a prospectus in connection with the resale of the new notes.

## Expiration Date.....

5:00 p.m., New York City time, on September 5, 2001 unless we extend the exchange offer.

## Exchange and Registration

## Rights Agreements.....

You have the right to exchange the original notes that you hold for new notes with substantially identical terms. This exchange offer is intended to satisfy these rights. Once the exchange offer is complete, you will no longer be entitled to any exchange or registration rights with respect to your original notes.

Accrued Interest on the New  
Notes and Original

## Notes.....

The new notes will bear interest from May 30, 2001. Holders of original notes which are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest on such original notes accrued to the date of issuance of the new notes.

## Conditions to the Exchange

## Offer.....

The exchange offer is conditioned upon certain customary conditions which we may waive and upon compliance with securities laws.

## Procedures for Tendering

## Original Notes.....

Each holder of original notes wishing to accept the exchange offer must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; or

- arrange for The Depository Trust Company to transmit certain required information to the exchange agent in connection with a book-entry transfer.

You must mail or otherwise deliver such documentation together with the original notes to the exchange agent.

#### Special Procedures for

Beneficial Holders..... If you beneficially own original notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your original notes in the exchange offer, you should contact such registered holder promptly and instruct them to tender on your behalf. If you wish to tender on your own behalf, you must, before completing and executing the letter of transmittal for the exchange offer and delivering your original notes, either arrange to have your original notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

#### Guaranteed Delivery

Procedures..... You must comply with the applicable procedures for tendering if you wish to tender your original notes and:

- time will not permit your required documents to reach the exchange agent by the expiration date of the exchange offer; or
- you cannot complete the procedure for book-entry transfer on time; or
- your original notes are not immediately available.

Withdrawal Rights..... You may withdraw your tender of original notes at any time prior to 5:00 p.m., New York City time, on the date the exchange offer expires.

#### Failure to Exchange Will

Affect You Adversely..... If you are eligible to participate in the exchange offer and you do not tender your original notes, you will not have further exchange or registration rights and your original notes will continue to be subject to some restrictions on transfer. Accordingly, the liquidity of the original notes will be adversely affected.

#### Material United States

Federal Income Tax  
Consideration..... The disclosure in this prospectus represents our legal counsel's opinion as to the material United States Federal income tax consequences of participating in the exchange offer and in connection with the ownership and disposition of the new notes. The exchange of original notes for new notes pursuant to the exchange offer will not result in a taxable event. Accordingly, it is our legal counsel's opinion that:

- no gain or loss will be realized by a U.S. holder upon receipt of a new note;

- a holder's holding period for new notes will include the holding period for original notes; and
- the adjusted tax basis of the new notes will be the same as the adjusted tax basis of the original notes exchanged at the time of such exchange.

Paul, Hastings, Janofsky & Walker LLP has rendered the above-referenced opinion in connection with the exchange offer. See "Material United States Federal Income Tax Considerations."

Exchange Agent..... The Bank of New York is serving as exchange agent.

Use of Proceeds..... We will not receive any proceeds from the exchange offer.



\$1,000.00 Cash interest will not accrue on principal amount at the senior discount notes until maturity May 15, 2006. The principal amount represented by each senior discount note will accrete from \$565.02 to \$1,000 during the period from the issue date to May 15, 2006.

Thereafter, cash interest on the senior discount notes will accrue at a rate of 11.750% per year and will be payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2006.

Ranking..... The new notes will be senior debt. They will rank equally with all existing and future unsecured and unsubordinated debt of the Charter Holdings including the existing Charter Holdings senior

notes and senior discount notes and trade payables, which are accounts payable to vendors, suppliers and service providers. Charter Holdings is a holding company and conducts all of its operations through its direct and indirect subsidiaries. If it defaults, your right to payment under the new notes will rank below all existing and future liabilities, including trade payables, of the subsidiaries of Charter Holdings. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, as if such transactions had occurred on that date, our debt would have totaled approximately \$13.8 billion, \$6.0 billion of which would have ranked senior to the new notes.

Optional Redemption..... We may redeem some or all of the ten-year senior notes and the senior discount notes beginning on May 15, 2006. The initial redemption price is 105.000% of the principal amount plus accrued and unpaid interest for the ten-year senior notes and 106.875% of the principal amount at maturity plus accrued and unpaid interest for the senior discount notes. The redemption price will decline each year after 2006 and beginning on May 15, 2009 will be 100% of the principal amount plus accrued and unpaid interest for the ten-year senior notes and 100% of the principal amount at maturity plus accrued and unpaid interest for the senior discount notes. In addition, before May 15, 2004, we may redeem up to 35% of the ten-year senior notes and the senior discount notes using proceeds of certain offerings of equity securities at a redemption price equal to 110.000% of the principal amount plus accrued and unpaid interest for the ten-year senior notes and 111.750% of the accreted value for the senior discount notes. We do not have the option to redeem any portion of the eight-year senior notes prior to their maturity date.

Mandatory Offer to Repurchase..... If Charter Holdings, Charter Communications Holding Company or Charter Communications, Inc. experiences certain changes of control, we must offer to repurchase the eight-year senior notes and ten-year senior notes at 101% of their principal amount plus accrued and unpaid interest and the senior discount notes at 101% of their accreted value plus, for any change of control occurring after the full accretion date, accrued and unpaid interest, if any, to the date of purchase.

## Basic Covenants of

Indentures..... The indentures governing the notes will, among other things, restrict our ability and the ability of certain of our subsidiaries to:

- pay dividends on stock or repurchase stock;
- make investments;
- borrow money;
- create certain liens;
- sell all or substantially all of our assets or merge with or into other companies;
- sell assets;
- in the case of our restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to us; and
- engage in certain transactions with affiliates.

These covenants are subject to important exceptions. See "Description of Notes -- Certain Covenants."

## RISK FACTORS

You should carefully consider all of the information in this prospectus. In particular, you should evaluate the specific risk factors under "Risk Factors" for a discussion of risks associated with an investment in the new notes.



## UNAUDITED SUMMARY PRO FORMA DATA

You should read the following unaudited summary pro forma financial data of Charter Holdings in conjunction with the historical financial statements and other financial information appearing elsewhere in this prospectus, including "Capitalization," "Unaudited Pro Forma Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UNAUDITED PRO FORMA DATA AS OF AND FOR THE THREE MONTHS  
ENDED MARCH 31, 2001 - -----  
----- CHARTER AT&T  
OFFERING HOLDINGS TRANSACTIONS SUBTOTAL ADJUSTMENT TOTAL  
-----  
(DOLLARS IN THOUSANDS, EXCEPT SUBSCRIBER DATA) STATEMENT  
OF OPERATIONS:

Revenues.....					
\$ 873,797	\$ 79,284	\$ 953,081	\$ --	\$ 953,081	-----
----- Operating					
expenses: Operating, general and administrative.....	472,147	50,847	522,994		
-- 522,994 Depreciation and amortization.....	693,812	36,115			
729,927 -- 729,927 Option compensation expense.....	6,038	--	6,038	--	
6,038 Corporate expense charges.....	13,721	5,005			
18,726 -- 18,726	-----				
----- Total operating					
expenses.....	1,185,718	91,967			
1,277,685 -- 1,277,685	-----				
----- Loss from					
operations.....					
(311,921) (12,683) (324,604) -- (324,604) Interest expense.....					
(287,088) (19,251) (306,339) (21,858) (328,197) Interest income.....	89	--			
89 -- 89 Other expense.....					
(58,978) (122) (59,100) -- (59,100)	-----				
----- Loss before					
minority interest expense.....	(657,898)				
(32,056) (689,954) (21,858) (711,812) Minority interest expense(a).....	(3,159)	--			
(3,159) -- (3,159)	-----				
----- Net					
loss.....					
(661,057) \$ (32,056) \$ (693,113) \$(21,858) \$ (714,971)	=====				

## OTHER FINANCIAL DATA:

EBITDA(b).....					
\$ 322,913	\$ 23,310	\$ 346,223	\$ 346,223	EBITDA	
margin(c).....	37.0%				
29.4% 36.3% 36.3% Adjusted					
EBITDA(d).....					
\$ 401,650 28,437 \$ 430,087 \$ 430,087 Cash flows from (used in) operating activities.....	(154,956)	23,600			
(131,356) (131,356) Cash flows from (used in) investing activities.....	(527,446)	7,651	(519,795)		
(519,795) Cash flows from (used in) financing activities.....	562,683	(30,814)	531,869	531,869	
Capital expenditures.....					
521,442 (2,270) 519,172 519,172 Cash interest expense.....	269,589				
Deficiency of earnings to cover fixed charges(e).....	\$ 714,971	BALANCE SHEET DATA (AT END OF PERIOD): Total			
assets.....					
\$23,413,130 \$1,059,728 \$24,472,858 \$452,409 24,925,267	Total				
debt.....					
12,326,347 1,048,187 13,374,534 452,409 13,826,943	Minority				
interest(f).....	643,685				
-- 643,685 643,685 Members'					
equity.....					
9,022,455 -- 9,022,455 9,022,455 OPERATING DATA (AT					

END OF PERIOD, EXCEPT FOR AVERAGE): Homes  
 passed(g).....  
 10,258,300 1,078,614 11,336,914 11,336,914 Basic  
 customers(h).....  
 6,349,823 562,933 6,912,756 6,912,756 Basic  
 penetration(i).....  
 61.9% 52.2% 61.0% 61.0% Premium  
 units(j).....  
 5,199,721 746,548 5,946,269 5,946,269 Premium  
 penetration(k)..... 81.9%  
 132.6% 86.0% 86.0% Average monthly revenue per basic  
 customer(l)..... \$ 45.96

UNAUDITED PRO FORMA DATA AS OF AND FOR THE YEAR  
ENDED DECEMBER 31, 2000 - -----

----- CHARTER  
RECENT OFFERING HOLDINGS ACQUISITIONS SUBTOTAL  
ADJUSTMENT TOTAL -----

----- (DOLLARS IN THOUSANDS, EXCEPT  
SUBSCRIBER DATA) STATEMENT OF OPERATIONS:

Revenues.....  
\$ 3,249,222 \$ 360,299 \$ 3,609,521 \$ -- \$ 3,609,521  
-----  
---- Operating expenses: Operating, general and  
administrative..... 1,650,918 236,269  
1,887,187 -- 1,887,187 Depreciation and  
amortization..... 2,462,544 191,857  
2,654,401 -- 2,654,401 Option compensation  
expense..... 40,978 -- 40,978 --  
40,978 Corporate expense  
charges..... 55,243 12,922  
68,165 -- 68,165 -----  
----- Total operating  
expenses..... 4,209,683 441,048  
4,650,731 -- 4,650,731 -----  
----- Loss from  
operations.....  
(960,461) (80,749) (1,041,210) -- (1,041,210)  
Interest  
expense.....  
(1,042,417) (82,103) (1,124,520) (106,725)  
(1,231,245) Interest  
income..... 6,679  
(49) 6,630 -- 6,630 Other  
expense.....  
(17,503) (723) (18,226) -- (18,226) -----  
----- Loss  
before minority interest expense.....  
(2,013,702) (163,624) (2,177,326) (106,725)  
(2,284,051) Minority interest  
expense(a)..... (11,038) (1,551)  
(12,589) -- (12,589) -----  
----- Net  
loss.....  
\$(2,024,740) \$(165,175) \$(2,189,915) \$(106,725)  
\$(2,296,640) =====  
===== OTHER FINANCIAL DATA: EBITDA  
(b)..... \$  
1,484,580 \$ 110,385 \$ 1,594,965 \$ 1,594,965 EBITDA  
margin (c)..... 45.7%  
30.6% 44.2% 44.2% Adjusted EBITDA  
(d)..... \$ 1,598,304 \$  
124,030 \$ 1,722,334 \$ 1,722,334 Cash flows from  
operating activities..... 1,126,286  
123,553 1,249,839 1,249,839 Cash flows used in  
investing activities..... (2,907,955)  
(185,329) (3,093,284) (3,093,284) Cash flows from  
financing activities..... 1,798,192  
28,399 1,826,591 1,826,591 Capital  
expenditures.....  
2,783,440 243,023 3,026,463 3,026,463 Cash interest  
expense..... 924,913  
Deficiency of earnings to cover fixed charges  
(e)... \$ 2,296,640 BALANCE SHEET DATA (AT END OF  
PERIOD): Total  
assets.....  
\$24,074,964 \$ 693,356 \$24,768,320 \$ 817,491  
\$25,585,811 Total  
debt.....  
12,083,796 683,116 12,766,912 817,491 13,584,403  
Minority  
interest(f)..... 640,526  
-- 640,526 -- 640,526 Member's  
equity.....  
9,709,882 -- 9,709,882 -- 9,709,882 OPERATING DATA  
(AT END OF PERIOD, EXCEPT FOR AVERAGE): Homes  
passed (g).....  
10,219,300 1,081,931 11,301,231 11,301,231 Basic  
customers (h).....  
6,346,200 564,722 6,910,922 6,910,922 Basic  
penetration (i).....

	62.1%	52.2%	61.2%	61.2%	Premium units
(j)	.....	.....	.....	.....	4,936,800
	769,227	5,706,027	5,706,027		Premium penetration
(k)	.....	.....	.....	.....	77.8% 136.2% 82.6%
	82.6%				Average monthly revenue per basic customer
	(l)	.....			\$ 43.52

- 
- (a) Represents the 2% accretion of the preferred membership units of a subsidiary of Charter Holdings issued to certain Bresnan sellers. These membership units are exchangeable at any time on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.
  - (b) EBITDA represents earnings (loss) before interest, depreciation and amortization, and minority interest. EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service indebtedness. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.
  - (c) EBITDA margin represents EBITDA as a percentage of revenues.

- (d) Adjusted EBITDA means EBITDA before option compensation expense, corporate expense charges, and other expenses. Adjusted EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service its indebtedness. However, adjusted EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. Adjusted EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because adjusted EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by adjusted EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.
- (e) Earnings include net income (loss) plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.
- (f) Represents preferred membership units in an indirect subsidiary of Charter Holdings issued to certain Bresnan sellers, which are exchangeable on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.
- (g) Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable television distribution network in a given cable system service area.
- (h) Basic customers are customers who receive basic cable service.
- (i) Basic penetration represents basic customers as a percentage of homes passed.
- (j) Premium units represent the total number of subscriptions to premium channels.
- (k) Premium penetration represents premium units as a percentage of basic customers.
- (l) Average monthly revenue per basic customer represents revenues divided by the number of months in the period divided by the number of basic customers at the end of the period.

## RISK FACTORS

The new notes, like the original notes, entail the following risks. You should carefully consider these risk factors, as well as the other information contained in this prospectus, before exchanging the original notes for the new notes.

## OUR BUSINESS

WE AND OUR SUBSIDIARIES HAVE SUBSTANTIAL EXISTING DEBT AND WILL INCUR SUBSTANTIAL ADDITIONAL DEBT, WHICH COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND OUR ABILITY TO OBTAIN FINANCING IN THE FUTURE AND REACT TO CHANGES IN OUR BUSINESS.

We and our subsidiaries have a significant amount of debt. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the issuance of additional equity to Charter Communications Holding Company in exchange for the net proceeds received from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, our total debt would have been approximately \$13.8 billion, our member's equity would have been approximately \$9.0 billion and the deficiency of our earnings available to cover fixed charges would have been approximately \$715.0 million. Since March 31, 2001, we have incurred significant additional debt to fund our capital expenditures. Our significant amount of debt could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations to you under the notes, to the lenders under our subsidiaries' credit facilities and to our other public noteholders;
- increase our vulnerability to general adverse economic and cable industry conditions, including interest rate increases, because a significant portion of our borrowings are and will continue to be at variable rates of interest;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which will reduce our funds available for working capital, capital expenditures and other general corporate expenses;
- limit our flexibility in planning for, or reacting to, changes in our business and the cable industry;
- place us at a disadvantage compared to our competitors that have proportionately less debt; and
- limit our ability to borrow additional funds in the future, if we need them, due to applicable financial and restrictive covenants in our debt.

The indentures governing the notes will not prohibit us from incurring additional debt. Further, the agreements and instruments governing our and our subsidiaries' debt allow for the incurrence of substantial additional debt by our subsidiaries, all of which would be structurally senior to the notes. We anticipate that we may incur significant additional debt in the future to fund the expansion, maintenance and upgrade of our cable systems. If current debt levels increase, the related risks that we and you now face will intensify.

THE AGREEMENTS AND INSTRUMENTS GOVERNING OUR DEBT AND THE DEBT OF OUR SUBSIDIARIES CONTAIN RESTRICTIONS AND LIMITATIONS THAT COULD SIGNIFICANTLY IMPACT OUR ABILITY TO OPERATE OUR BUSINESS AND ADVERSELY AFFECT THE HOLDERS OF THE NOTES.

The credit facilities of our subsidiaries, the indentures governing the notes and our and our subsidiaries' other public debt contain a number of significant covenants that could adversely impact the holders of the notes and our business. In particular, the credit facilities of our subsidiaries and indentures of our and our subsidiaries' public notes restrict our ability and the ability of our subsidiaries to:

- pay dividends or make other distributions;
- make certain investments or acquisitions;
- dispose of assets or merge;
- incur additional debt;
- issue equity;
- repurchase or redeem equity interests and debt;
- create liens; and
- pledge assets.

Furthermore, in accordance with our subsidiaries' credit facilities, a number of our subsidiaries are required to maintain specified financial ratios and meet financial tests. The ability to comply with these provisions may be affected by events beyond our control. The breach of any of these covenants will result in a default under the applicable debt agreement or instrument, which could prohibit distributions to us to pay amounts on the notes.

IF OUR SUBSIDIARIES DEFAULT UNDER THEIR CREDIT FACILITIES OR PUBLIC NOTES, WE MAY NOT HAVE THE ABILITY TO MAKE PAYMENTS ON THE NOTES.

In the event of a default under our subsidiaries' credit facilities or public notes, our subsidiaries' creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, our subsidiaries' credit facilities and indentures will not permit our subsidiaries to distribute funds to Charter Holdings to pay interest or principal on the notes. If the amounts outstanding under such credit facilities or public notes are accelerated, all of our subsidiaries' debt and liabilities would be payable from our subsidiaries' assets, prior to any distribution of our subsidiaries' assets to pay the interest and principal amounts on the notes and we may not be able to repay or make payments on the notes. Any default under any of our credit facilities or public notes may adversely affect the holders of the notes and our growth, financial condition and results of operations.

CHARTER HOLDINGS IS A HOLDING COMPANY WHICH HAS NO OPERATIONS AND WILL DEPEND ON ITS OPERATING SUBSIDIARIES FOR CASH TO MAKE PAYMENTS ON THE NOTES. CHARTER HOLDINGS' SUBSIDIARIES ARE LIMITED IN THEIR ABILITY TO MAKE FUNDS AVAILABLE FOR THE PAYMENT OF THE NOTES AND OTHER OBLIGATIONS.

As a holding company, we will depend entirely on cash from our operating subsidiaries to satisfy our obligations to you as a holder of the notes. Our operating subsidiaries may not be able to make funds available to us.

We will not hold any significant assets other than our direct and indirect interests in our subsidiaries which conduct all of our operations. Our cash flow will depend upon the cash flow of our operating subsidiaries and the payment of funds by our operating subsidiaries to us. This could adversely affect our ability to meet our obligations to you as a holder of the notes.

Our operating subsidiaries are separate and distinct legal entities and are not obligated to make funds available for payment of the notes and other obligations in the form of loans, distributions or otherwise. In addition, our operating subsidiaries' ability to make any such loans, distributions or other payments to us will depend on their earnings, business and tax considerations and legal restrictions. Furthermore, covenants in the indentures and credit agreements governing the debt of our subsidiaries restrict their ability to make loans, distributions or other payments to us. This could adversely impact our ability to pay interest and principal due on the notes. See "Description of Certain Indebtedness."

BECAUSE OF OUR HOLDING COMPANY STRUCTURE, THE NOTES WILL BE STRUCTURALLY SUBORDINATED TO ALL LIABILITIES OF OUR SUBSIDIARIES.

The borrowers and guarantors under the Charter Operating credit facilities, the CC VI (Fanch) credit facilities, the CC VII (Falcon) credit facilities and the CC VIII (Bresnan) credit facilities are our direct or indirect subsidiaries. A number of our subsidiaries are also obligors under other debt instruments. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, our total debt would have been approximately \$13.8 billion, \$6.0 million of which would have been structurally senior to the notes. The lenders under all of these credit facilities and the holders of the other debt instruments will have the right to be paid before us from any of our subsidiaries' assets. In the event of bankruptcy, liquidation or dissolution of a subsidiary, following payment by such subsidiary of its liabilities, such subsidiary may not have sufficient assets remaining to make payments to us as a shareholder or otherwise. This will adversely affect our ability to make payments to you as a holder of the notes. In addition, the notes are unsecured and therefore will be effectively subordinated in right of payment to all existing and future secured debt we may incur to the extent of the value of the assets securing such debt.

OUR ABILITY TO GENERATE THE SIGNIFICANT AMOUNT OF CASH NEEDED TO PAY INTEREST AND PRINCIPAL AMOUNTS ON THE NOTES, SERVICE OUR OTHER DEBT AND THE DEBT OF OUR SUBSIDIARIES AND GROW OUR BUSINESS DEPENDS ON MANY FACTORS BEYOND OUR CONTROL.

Our ability to make payments on the notes and to fund our planned capital expenditures for upgrading our cable systems and our ongoing operations will depend on our ability to generate cash and to secure financing in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control. If our business does not generate sufficient cash flow from operations, and sufficient future distributions are not available to us from borrowings under our credit facilities or from other sources of financing, we may not be able to make interest payments on the notes or repay the notes, to grow our business or to fund our other liquidity needs.

WE HAVE GROWN RAPIDLY AND HAVE A LIMITED HISTORY OF OPERATING OUR CURRENT SYSTEMS. THIS MAKES IT DIFFICULT FOR YOU TO COMPLETELY EVALUATE OUR PERFORMANCE.

We commenced active operations in 1994 and have grown rapidly since then through acquisitions of cable systems. As of December 31, 2000, our systems served approximately 400% of the number of customers served as of December 31, 1998. As a result, historical financial information about us may



not be indicative of the future or of results that we can achieve with the cable systems which will be under our control. Our recent growth in revenues over our short operating history is not necessarily indicative of future performance.

WE MAY NOT HAVE THE ABILITY TO INTEGRATE THE NEW CABLE SYSTEMS THAT WE ACQUIRE AND THE CUSTOMERS THEY SERVE WITH OUR EXISTING CABLE SYSTEMS. THIS COULD ADVERSELY AFFECT OUR OPERATING RESULTS AND GROWTH STRATEGY.

We have grown through acquisitions of cable systems and now own and operate cable systems serving approximately 7 million customers. We may acquire more cable systems in the future, through direct acquisition, system swaps or otherwise. The integration of the cable systems we have acquired poses a number of significant risks, including:

- our acquisitions may not have a positive impact on our cash flows from operations;
- the integration of these new systems and customers will place significant demands on our management and our operations, information services, and financial, legal and marketing resources. Our current operating and financial systems and controls and information services may not be adequate, and any steps taken to improve these systems and controls may not be sufficient;
- acquired businesses sometimes result in unexpected liabilities and contingencies which could be significant; and
- our continued growth will also increase our need for qualified personnel. We may not be able to hire such additional qualified personnel.

We cannot assure you that we will successfully integrate any acquired systems into our operations.

WE HAVE A HISTORY OF NET LOSSES AND EXPECT TO CONTINUE TO EXPERIENCE NET LOSSES. CONSEQUENTLY, WE MAY NOT HAVE THE ABILITY TO FINANCE FUTURE OPERATIONS.

We have had a history of net losses and expect to continue to report net losses for the foreseeable future. We expect our net losses to increase as a result of our closed acquisitions and our planned upgrades and other capital expenditures. We reported net losses before minority interest expense and extraordinary items of \$22 million for 1998, \$641 million for 1999 and \$2.0 billion for 2000. Pro forma for (1) the issuance and sale of the January 2001 Charter Holdings notes and the application of the net proceeds therefrom; (2) the issuance and sale of the original notes and the application of the net proceeds therefrom; (3) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (4) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (5) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, we had net losses of \$715.0 million for the three months ended March 31, 2001 and \$2.3 billion for the year ended December 31, 2000. We cannot predict what impact, if any, continued losses will have on our ability to finance our operations in the future.

IF WE ARE UNSUCCESSFUL IN IMPLEMENTING OUR GROWTH STRATEGY, OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED.

If we are unable to grow our cash flow sufficiently, we may be unable to make interest payments on the notes or repay the notes or our other debt, to grow our business or to fund our other liquidity

needs. We expect that a substantial portion of our future growth will be achieved through revenues from new products and services. We may not be able to offer these new products and services successfully to our customers and these new products and services may not generate adequate revenues.

OUR PROGRAMMING COSTS ARE INCREASING. WE MAY NOT HAVE THE ABILITY TO PASS THESE INCREASES ON TO OUR CUSTOMERS, WHICH WOULD ADVERSELY AFFECT OUR CASH FLOW AND OPERATING MARGINS.

Programming has been, and is expected to continue to be, our largest single expense item. In recent years, the cable industry has experienced a rapid escalation in the cost of programming, particularly sports programming. This escalation may continue, and we may not be able to pass programming cost increases on to our customers. The inability to pass these programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins. In addition, as we upgrade the channel capacity of our systems and add programming to our basic, expanded basic and premium programming tiers, we may face additional market constraints on our ability to pass programming costs on to our customers. Basic programming includes a variety of entertainment and local programming. Expanded basic programming offers more services than basic programming. Premium service includes unedited, commercial-free movies, sports and other special event entertainment programming.

OUR PLANNED UPGRADES AND CAPITAL EXPENDITURES MAY NOT BE SUFFICIENT TO FUND OUR PLANNED SYSTEM UPGRADES, MAINTENANCE AND EXPANSION, OR TO ROLL OUT ADVANCED SERVICES. THIS COULD ADVERSELY AFFECT OUR ABILITY TO OFFER NEW PRODUCTS AND SERVICES, WHICH COULD ADVERSELY AFFECT OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Without giving effect to the recent AT&T transactions, in 2001, 2002 and 2003, we expect to spend approximately \$2.9 billion, \$1.8 billion and \$1.1 billion respectively, to upgrade and rebuild our systems in order to offer advanced services to our customers. In addition, we anticipate rebuild costs associated with the systems acquired in the AT&T transactions to total approximately \$350 million, \$150 million of which we expect to spend in 2001. The amount that we spend on these types of capital expenditures will depend on the level of growth in digital cable customers and in the delivery of other advanced services.

We cannot assure you that our anticipated levels of capital expenditures will be sufficient to accomplish our planned system upgrades, maintenance and expansion, or to roll out advanced services. We currently anticipate that we will have sufficient capital to fund our capital expenditures through 2003. If there is accelerated growth in digital cable customers or in the delivery of other advanced services however, we may need additional capital. If we cannot obtain such capital from increases in our operating cash flow, additional borrowings or other sources, we may not be able to fund any accelerated growth or offer advanced services on a timely basis. Consequently, our growth, financial condition and results of operations could suffer materially. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Expenditures."

WE MAY NOT BE ABLE TO FUND THE CAPITAL EXPENDITURES NECESSARY TO KEEP PACE WITH TECHNOLOGICAL DEVELOPMENTS OR OUR CUSTOMERS' DEMAND FOR NEW PRODUCTS AND SERVICES. THIS COULD LIMIT OUR ABILITY TO COMPETE EFFECTIVELY. CONSEQUENTLY, OUR GROWTH, RESULTS OF OPERATIONS AND FINANCIAL CONDITION COULD SUFFER MATERIALLY.

The cable business is characterized by rapid technological change and the introduction of new products and services. We cannot assure you that we will be able to fund the capital expenditures necessary to keep pace with technological developments, or that we will successfully anticipate the demand of our customers for products and services requiring new technology. This type of rapid technological change could adversely affect our plans to upgrade or expand our systems and respond

to competitive pressures. Our inability to upgrade, maintain and expand our systems and provide advanced services in a timely manner, or to anticipate the demands of the market place, could adversely affect our ability to compete. Consequently, our growth, financial condition and results of operations could suffer materially.

WE MAY BE UNABLE TO NEGOTIATE CONSTRUCTION CONTRACTS ON FAVORABLE TERMS AND OUR CONSTRUCTION COSTS MAY INCREASE SIGNIFICANTLY. THIS COULD ADVERSELY AFFECT OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The expansion and upgrade of our systems will require us to hire contractors and enter into a number of construction agreements. We may have difficulty hiring civil contractors, and the contractors we hire may encounter cost overruns or delays in construction. Our construction costs may increase significantly over the next few years as existing contracts expire and as demand for telecommunications construction services continues to grow. We cannot assure you that we will be able to construct new systems or expand or upgrade existing or acquired systems in a timely manner or at a reasonable cost. This may adversely affect our growth, financial condition and results of operations.

WE DEPEND ON THIRD-PARTY EQUIPMENT AND SOFTWARE SUPPLIERS. IF WE ARE UNABLE TO PROCURE THE NECESSARY EQUIPMENT, OUR ABILITY TO OFFER OUR SERVICES COULD BE IMPAIRED. THIS COULD ADVERSELY AFFECT OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We depend on vendors to supply the set-top terminals for analog and digital cable services. This equipment is available from a limited number of suppliers. We typically purchase set-top terminals under purchase orders placed from time to time and do not carry significant inventories of set-top terminals. If demand for set-top terminals exceeds our inventories and we are unable to obtain required set-top terminals on a timely basis and at an acceptable cost, our ability to recognize additional revenue from digital services could be delayed or impaired. In addition, if there are no suppliers who are able to provide set-top terminal devices that comply with evolving Internet and telecommunications standards or that are compatible with other products or components we use, our business would be impaired.

THERE IS NO EXPECTATION THAT MR. ALLEN WILL FUND OUR OPERATIONS OR OBLIGATIONS IN THE FUTURE.

In the past, Mr. Allen and his affiliates have contributed funds to Charter Communications, Inc., Charter Communications Holding Company and us. There is no expectation that Mr. Allen or his affiliates will contribute funds to Charter Communications, Inc., Charter Communications Holding Company, us or to our subsidiaries in the future.

A SALE BY MR. ALLEN OF HIS DIRECT OR INDIRECT EQUITY INTERESTS COULD ADVERSELY AFFECT OUR ABILITY TO MANAGE OUR BUSINESS.

Mr. Allen is not prohibited by any agreement from selling the shares of Class A or Class B common stock he holds in Charter Communications, Inc. or causing Charter Investment, Inc. or Vulcan Cable III Inc. to sell their membership units in Charter Communications Holding Company. We cannot assure you that Mr. Allen or any of his affiliates will maintain all or any portion of his direct or indirect ownership interests in Charter Communications, Inc. and Charter Communications Holding Company. In the event he sells all or any portion of his direct or indirect ownership interest in Charter Communications, Inc. or Charter Communications Holding Company, we cannot assure you that he would continue as Chairman of Charter Communications, Inc.'s board of directors or otherwise participate in our management. The disposition by Mr. Allen or any of his affiliates of these equity interests or the loss of his services by Charter Communications, Inc. and/or Charter Communications Holding Company could adversely affect our growth, financial condition and results of operations or adversely impact the market price of the notes.

WE OPERATE IN A VERY COMPETITIVE BUSINESS ENVIRONMENT WHICH CAN ADVERSELY AFFECT OUR BUSINESS AND OPERATIONS.

The industry in which we operate is highly competitive. In some instances, we compete against companies with fewer regulatory burdens, easier access to financing, greater personnel resources, greater brand name recognition and long-standing relationships with regulatory authorities. Mergers, joint ventures and alliances among any of the following businesses could result in providers capable of offering cable television, Internet and other telecommunications services in direct competition with us:

- cable television operators;
- local and regional telephone companies;
- long distance telephone service providers;
- direct broadcast satellite (DBS) companies;
- electric utilities;
- providers of cellular and other wireless communications services; and
- Internet service providers.

We face competition within the subscription television industry, which includes providers of paid television service employing technologies other than cable, such as direct broadcast satellite or DBS. We also face competition from broadcast companies distributing television broadcast signals without assessing a subscription fee and from other communications and entertainment media, including conventional radio broadcasting services, newspapers, movie theaters, the Internet, live sports events and home video products.

We cannot assure you that upgrading our cable systems will allow us to compete effectively. Additionally, as we expand and introduce new and enhanced services, including Internet and telecommunications services, we will be subject to competition from telecommunications providers and Internet service providers. We cannot predict the extent to which competition may affect our business and operations in the future. See "Business -- Competition."

THE LOSS OF MR. ALLEN OR MR. KENT COULD ADVERSELY AFFECT OUR ABILITY TO MANAGE OUR BUSINESS.

Our success is substantially dependent upon the retention and the continued performance of Mr. Allen, Chairman of Charter Communications, Inc.'s board of directors, and Jerald L. Kent, Charter Communications, Inc.'s President and Chief Executive Officer. The loss of the services of Mr. Allen or Mr. Kent could adversely affect our growth, financial condition and results of operations.

#### CHARTER'S STRUCTURE

MR. ALLEN MAY HAVE INTERESTS THAT CONFLICT WITH YOUR INTERESTS.

Mr. Allen controls approximately 92.0% of the voting power of Charter Communications, Inc.'s capital stock. Accordingly, Mr. Allen controls Charter Communications, Inc. Charter Communications, Inc., in turn, controls Charter Communications Holding Company and Charter Holdings. Mr. Allen thus has the ability to control fundamental corporate transactions requiring equity holder approval, including, but not limited to, the election of all of Charter Communications, Inc.'s directors, approval of merger transactions involving us and the sale of all or substantially all of our assets.

Mr. Allen's control over our management and affairs could create conflicts of interest if he is faced with decisions that could have implications both for him and for us and the holders of the notes. Further, Mr. Allen could cause us to enter into contracts with another entity in which he owns

an interest or cause us to decline a transaction that he (or another entity in which he owns an interest) ultimately enters into.

Mr. Allen may engage in other businesses involving the operation of cable television systems, video programming, high-speed Internet access, telephony or electronic commerce, which is business and financial transactions conducted through broadband interactivity and Internet services. Mr. Allen may also engage in other businesses that compete or may in the future compete with us. In addition, Mr. Allen currently engages and may engage in the future in businesses that are complementary to our cable business.

Accordingly, conflicts could arise with respect to the allocation of corporate opportunities between us and Mr. Allen. Current or future agreements between us and Mr. Allen or his affiliates may not be the result of arm's-length negotiations. Consequently, such agreements may be less favorable to us than agreements that we could otherwise have entered into with unaffiliated third parties. Further, many past and future transactions with Mr. Allen or his affiliates are informal in nature. As a result, there will be some discretion left to the parties, who are subject to the potentially conflicting interests described above. We cannot assure you that the interests of either Mr. Allen or his affiliates will not conflict with the interests of the holders of the notes. We have not instituted any formal plans to address conflicts of interest that may arise.

WE ARE NOT PERMITTED TO ENGAGE IN ANY BUSINESS ACTIVITY OTHER THAN THE CABLE TRANSMISSION OF VIDEO, AUDIO AND DATA UNLESS MR. ALLEN AUTHORIZES US TO PURSUE THAT PARTICULAR BUSINESS ACTIVITY. THIS COULD ADVERSELY AFFECT OUR ABILITY TO OFFER NEW PRODUCTS AND SERVICES OUTSIDE OF THE CABLE TRANSMISSION BUSINESS AND ENTER INTO NEW BUSINESSES, WHICH COULD ADVERSELY AFFECT OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Charter Communications, Inc.'s certificate of incorporation and Charter Communications Holding Company's limited liability company agreement provide that Charter Communications, Inc. and Charter Communications Holding Company and their subsidiaries, including Charter Holdings and its subsidiaries, cannot engage in any business activity outside the cable transmission business except for specified businesses. This will be the case unless the opportunity to pursue the particular business activity is first offered to Mr. Allen, he decides not to pursue it and he consents to our engaging in the business activity. The cable transmission business means the business of transmitting video, audio, including telephone services, and data over cable television systems owned, operated or managed by us from time to time. These provisions may limit our ability to take advantage of attractive business opportunities. Consequently, our ability to offer new products and services outside of the cable transmission business and enter into new businesses could be adversely affected, resulting in an adverse effect on our growth, financial condition and results of operations. See "Certain Relationships and Related Transactions -- Allocation of Business Opportunities with Mr. Allen."

OUR MANAGEMENT MAY BE RESPONSIBLE FOR MANAGING OTHER CABLE OPERATIONS AND MAY NOT DEVOTE THEIR FULL TIME TO OUR OPERATIONS. THIS COULD GIVE RISE TO CONFLICTS OF INTEREST AND IMPAIR OUR OPERATING RESULTS.

Mr. Allen and certain other of our affiliates may from time to time in the future acquire cable systems in addition to those owned by us. Charter Communications, Inc., as well as some of the officers of Charter Communications, Inc. who currently manage our cable systems, may have a substantial role in managing outside cable systems that may be acquired in the future. As a result, the time they devote to managing our systems may be correspondingly reduced. This could adversely affect our growth, financial condition and results of operations. Moreover, allocating managers' time and other resources of Charter Communications, Inc. and Charter Communications Holding Company between our systems and outside systems that may be held by our affiliates could give rise

to conflicts of interest. Charter Communications, Inc. and Charter Communications Holding Company do not have or plan to create formal procedures for determining whether and to what extent cable systems acquired in the future will receive priority with respect to personnel requirements.

#### REGULATORY AND LEGISLATIVE MATTERS

OUR BUSINESS IS SUBJECT TO EXTENSIVE GOVERNMENTAL LEGISLATION AND REGULATION. THE APPLICABLE LEGISLATION AND REGULATIONS, AND CHANGES TO THEM, COULD ADVERSELY AFFECT OUR BUSINESS BY INCREASING OUR EXPENSES.

Regulation of the cable industry has increased the administrative and operational expenses and limited the revenues of cable systems. Cable operators are subject to, among other things:

- limited rate regulation;
- requirements that, under specified circumstances, a cable system carry a local broadcast station or obtain consent to carry a local or distant broadcast station;
- rules for franchise renewals and transfers; and
- other requirements covering a variety of operational areas such as equal employment opportunity, technical standards and customer service requirements.

Additionally, many aspects of these regulations are currently the subject of judicial proceedings and administrative or legislative proposals. There are also ongoing efforts to amend or expand the state and local regulation of some of our cable systems, which may compound the regulatory risks we already face. Certain states and localities are considering new telecommunications taxes that could increase operating expenses. We cannot predict whether in response to these efforts any of the states or localities in which we now operate will expand regulation of our cable systems in the future or how they will do so.

WE MAY BE REQUIRED TO PROVIDE ACCESS TO OUR NETWORKS TO OTHER INTERNET SERVICE PROVIDERS. THIS COULD SIGNIFICANTLY INCREASE OUR COMPETITION AND ADVERSELY AFFECT THE UPGRADE OF OUR SYSTEMS OR OUR ABILITY TO PROVIDE NEW PRODUCTS AND SERVICES.

A number of companies, including telephone companies and Internet service providers (ISPs), have requested local authorities and the Federal Communications Commission to require cable operators to provide access to cable's broadband infrastructure, which allows cable to deliver a multitude of channels and/or services, so that these companies may deliver Internet services directly to customers over cable facilities. A federal circuit court in California, a federal circuit court in Virginia, and a federal district court in Florida recently struck down as unlawful "open-access" requirements imposed by a variety of franchising authorities. Each of these decisions struck down the "open-access" requirements on different legal grounds. In response to the first federal circuit decision in California, the Federal Communications Commission initiated an inquiry to determine the appropriate classification and regulatory treatment of the provision of Internet service by cable operators. The Federal Trade Commission recently imposed certain "open-access" requirements on Time Warner and AOL in connection with their merger, but those requirements are not applicable to other cable operators.

We believe that allocating a portion of our bandwidth capacity to other Internet service providers:

- would impair our ability to use our bandwidth in ways that would generate maximum revenues;
- would strengthen our Internet service provider competitors; and

- may cause us to decide not to upgrade our systems which would prevent us from introducing our planned new products and services.

In addition, we cannot assure you that if we were required to provide access in this manner, it would not have a significant adverse impact on our profitability. This could impact us in many ways, including by:

- increasing competition;
- increasing the expenses we incur to maintain our systems; and/or
- increasing the expense of upgrading and/or expanding our systems.

OUR CABLE SYSTEMS ARE OPERATED UNDER FRANCHISES WHICH ARE SUBJECT TO NON-RENEWAL OR TERMINATION. THE FAILURE TO RENEW A FRANCHISE COULD ADVERSELY AFFECT OUR BUSINESS IN A KEY MARKET.

Our cable systems generally operate pursuant to franchises, permits or licenses granted by a municipality or other state or local government controlling the public rights-of-way. Many franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with material provisions set forth in the franchise agreement governing system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Local franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal, which have been and may continue to be costly to us. In some instances, franchises have not been renewed at expiration, and we have operated under either temporary operating agreements or without a license while negotiating renewal terms with the local franchising authorities.

We cannot assure you that we will be able to comply with all material provisions of our franchise agreements or that we will be able to renew our franchises in the future. A termination of and/or a sustained failure to renew a franchise could adversely affect our business in the affected geographic area.

WE OPERATE OUR CABLE SYSTEMS UNDER FRANCHISES WHICH ARE NON-EXCLUSIVE. LOCAL FRANCHISING AUTHORITIES CAN GRANT ADDITIONAL FRANCHISES AND CREATE COMPETITION IN MARKET AREAS WHERE NONE EXISTED PREVIOUSLY.

Our cable systems are operated under franchises granted by local franchising authorities. These franchises are non-exclusive. Consequently, local franchising authorities can grant additional franchises to competitors in the same geographic area. As a result, competing operators may build systems in areas in which we hold franchises. In some cases municipal utilities may legally compete with us without obtaining a franchise from the local franchising authority. The existence of more than one cable system operating in the same territory is referred to as an overbuild. These overbuilds could adversely affect our growth, financial condition and results of operations by increasing competition or creating competition where none existed previously. As of December 31, 2000, we are aware of overbuild situations impacting approximately 139,000 of our basic customers, or 2% of our total basic customers, and potential overbuild situations in areas servicing approximately 253,000 additional basic customers, or 4% of our total basic customers, together representing a total of approximately 392,000 customers. Additional overbuild situations may occur in other systems.

LOCAL FRANCHISE AUTHORITIES HAVE THE ABILITY TO IMPOSE ADDITIONAL REGULATORY CONSTRAINTS ON OUR BUSINESS. THIS COULD FURTHER INCREASE OUR EXPENSES.

In addition to the franchise document, cable authorities in some jurisdictions have adopted cable regulatory ordinances that further regulate the operation of cable systems. This additional regulation increases our expenses in operating our business. We cannot assure you that the local franchising authorities will not impose new and more restrictive requirements.

Local franchising authorities also have the power to reduce rates and order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. Basic service tier rates are the prices charged for basic programming services. As of December 31, 2000, we have refunded a total of approximately \$1.2 million since our inception. We may be required to refund additional amounts in the future.

DESPITE DEREGULATION OF EXPANDED BASIC CABLE PROGRAMMING PACKAGES, WE ARE CONCERNED THAT CABLE RATE INCREASES COULD GIVE RISE TO FURTHER REGULATION. THIS COULD CAUSE US TO DELAY OR CANCEL SERVICE OR PROGRAMMING ENHANCEMENTS OR IMPAIR OUR ABILITY TO RAISE RATES TO COVER OUR INCREASING COSTS.

On March 31, 1999, the pricing of expanded basic cable programming packages was deregulated, permitting cable operators to set their own rates. This deregulation was not applicable to basic services. However, the Federal Communications Commission and the United States Congress continue to be concerned that cable rate increases are exceeding inflation. It is possible that either the Federal Communications Commission or the United States Congress will again restrict the ability of cable system operators to implement rate increases. Should this occur, it would impede our ability to raise our rates. If we are unable to raise our rates in response to increasing costs, our financial condition and results of operations could be materially adversely affected.

IF WE OFFER TELECOMMUNICATIONS SERVICES, WE MAY BE SUBJECT TO ADDITIONAL REGULATORY BURDENS CAUSING US TO INCUR ADDITIONAL COSTS.

If we enter the business of offering telecommunications services, we may be required to obtain federal, state and local licenses or other authorizations to offer these services. We may not be able to obtain such authorizations in a timely manner, or at all, and conditions could be imposed upon such licenses or authorizations that may not be favorable to us. Furthermore, telecommunications companies, including Internet protocol telephony companies, generally are subject to significant regulation as well as higher fees for pole attachments. Internet protocol telephony companies are companies that have the ability to offer telephone services over the Internet. Pole attachments are cable wires that are attached to poles.

In particular, cable operators who provide telecommunications services and cannot reach agreement with local utilities over pole attachment rates in states that do not regulate pole attachment rates will be subject to a methodology prescribed by the Federal Communications Commission for determining the rates. These rates may be higher than those paid by cable operators that do not provide telecommunications services. The rate increases are to be phased in over a five-year period beginning on February 8, 2001. If we become subject to telecommunications regulation or higher pole attachment rates, we may incur additional costs which may be material to our business. A recent court decision, currently under appeal to the United States Supreme Court, suggests that the provision of Internet service may subject cable systems to higher pole attachment rates. Certain utilities have already proposed vastly higher pole attachment rates, based in part on the existing court decision.



## THE OFFERING

THERE CURRENTLY EXISTS NO PUBLIC MARKET FOR THE NOTES. WE CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE NOTES.

The notes will be new securities for which there is currently no public market. We do not intend to list the notes on any securities exchange or quotation system. We cannot assure you that an active trading market will develop for the notes. If a trading market does not develop, you may experience difficulty in reselling notes, or you may be unable to sell them at all. In addition, if a trading market does develop for the notes, the liquidity of the trading market, and the market price quoted for the notes, may be adversely affected by changes in the overall market for high yield securities generally or the interest of securities dealers in making a market in the notes and by changes in our financial performance or prospects or in the prospects for companies in our industry generally.

WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO FULFILL OUR OBLIGATIONS UNDER THE NOTES FOLLOWING A CHANGE OF CONTROL. THIS WOULD PLACE US IN DEFAULT UNDER THE INDENTURES GOVERNING THE NOTES.

Under the indentures governing the notes, upon the occurrence of specified change of control events, we will be required to offer to repurchase all outstanding notes. However, we may not have sufficient funds at the time of the change of control event to make the required repurchase of the notes. In addition, a change of control would require the repayment of borrowings under credit facilities and publicly held debt of our subsidiaries and the existing Charter Holdings notes. Because our credit facilities and other publicly held debt, other than the notes and existing Charter Holdings notes, are obligations of our subsidiaries, the credit facilities and such debt would have to be repaid by our subsidiaries before their assets could be available to Charter Holdings to repurchase the notes. Our failure to make or complete an offer to repurchase the notes would place us in default under the indentures governing the notes. You should also be aware that a number of important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a change of control under the indentures governing the notes.

IF WE DO NOT FULFILL OUR OBLIGATIONS TO YOU UNDER THE NOTES, YOU WILL NOT HAVE ANY RECOURSE AGAINST CHARTER COMMUNICATIONS, INC., CHARTER COMMUNICATIONS HOLDING COMPANY, MR. ALLEN OR THEIR AFFILIATES.

The notes will be issued solely by Charter Holdings and Charter Communications Holdings Capital Corporation. None of our equity holders, directors, officers, employees or affiliates, including Charter Communications, Inc. and Mr. Allen, will be an obligor or guarantor under the notes. Furthermore, the indentures governing the notes expressly provide that these parties will not have any liability for our obligations under the notes or the indentures governing the notes. By accepting the notes, you waive and release all such liability as consideration for issuance of the notes. Consequently, if the issuers do not fulfill their obligations to you under the notes, you will have no recourse against any of these parties.

Additionally, our equity holders, including Charter Communications, Inc. and Mr. Allen, will be free to manage other entities, including other cable companies. If we do not fulfill our obligations to you under the notes, you will have no recourse against those other entities or their assets.

THE SENIOR DISCOUNT NOTES WILL BE ISSUED WITH ORIGINAL ISSUE DISCOUNT. CONSEQUENTLY, HOLDERS OF THE SENIOR DISCOUNT NOTES WILL GENERALLY BE REQUIRED TO INCLUDE AMOUNTS IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES IN ADVANCE OF RECEIVING CASH.

The senior discount notes will be issued at a substantial discount from their stated principal amount. As a result, purchasers of the senior discount notes generally will be required to include the

accrued portion of this discount in gross income, as interest, for United States federal income tax purposes in advance of the receipt of cash payments of this interest.

IF A BANKRUPTCY PETITION WERE FILED BY OR AGAINST US, YOU MAY RECEIVE A LESSER AMOUNT FOR YOUR CLAIM THAN YOU WOULD BE ENTITLED TO RECEIVE UNDER THE INDENTURE GOVERNING THE SENIOR DISCOUNT NOTES, AND YOU MAY REALIZE TAXABLE GAIN OR LOSS UPON PAYMENT OF YOUR CLAIM.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the senior discount notes, the claim by a holder of the senior discount notes for the principal amount of the senior discount notes may be limited to an amount equal to the sum of:

(1) the initial offering price for the senior discount notes; and

(2) that portion of the original issue discount that does not constitute "unmatured interest" for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unamortized interest. Accordingly, holders of senior discount notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the Indenture governing the senior discount notes, even if sufficient funds are available. In addition, to the extent that the U.S. Bankruptcy Code differs from the Internal Revenue Code in determining the method of amortization of original issue discount, a holder of senior discount notes may realize taxable gain or loss upon payment of that holder's claim in bankruptcy.

## FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Many of the forward-looking statements contained in this prospectus may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "estimated" and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this prospectus are set forth in this prospectus and in other reports or documents that we file from time to time with the SEC and include, but are not limited to:

- Our plans to achieve growth by offering new products and services and through acquisitions and swaps;
- Our anticipated capital expenditures for our planned upgrades and the ability to fund these expenditures;
- Our beliefs regarding the effects of governmental regulation on our business; and
- Our ability to effectively compete in a highly competitive environment.

All forward-looking statements attributable to us or a person acting on our behalf are expressly qualified in their entirety by those cautionary statements.

## RATIO OF EARNINGS TO FIXED CHARGES

Earnings for the years ended December 31, 1996 and 1997; for the periods from January 1, 1998 through December 23, 1998 and from December 24, 1998 through December 31, 1998; for the years ended December 31, 1999 and 2000; and for the three months ended March 31, 2001 were insufficient to cover fixed charges by \$2.7 million, \$4.6 million, \$17.2 million, \$5.3 million, \$639.9 million, \$2.0 billion and \$672.6 million, respectively. As a result of such deficiencies, the ratios of earnings to fixed charges are not presented.

## CAPITALIZATION

The following table sets forth as of March 31, 2001, on a consolidated basis:

- the actual capitalization of Charter Holdings; and
- the pro forma capitalization of Charter Holdings to reflect the effect of the following as if they had occurred prior to the issuance and sale of the original notes:
  - (1) the repayment of all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities with an equity contribution by Charter Communications Holding Company of \$1.3 billion of the net proceeds from the issuance and sale by Charter Communications, Inc. of its May 2001 convertible senior notes and the May 2001 issuance and sale by Charter Communications, Inc. of 52,389,000 shares of its Class A common stock; and
  - (2) the closing of the AT&T transactions and the borrowing of approximately \$1,047.4 million under the Charter Operating revolving credit facility to pay a portion of the AT&T purchase price.
- the pro forma as adjusted capitalization of Charter Holdings to reflect:
  - (1) the events described in (1) and (2) above;
  - (2) the issuance and sale of the original notes as described in this prospectus; and
  - (3) the repayment of all amounts outstanding under the Charter Operating revolving credit facility.

This table should be read in conjunction with the "Unaudited Pro Forma Financial Statements" included elsewhere in this prospectus.

AS OF MARCH 31, 2001 -	-----	-----	-----	-----
-----	PRO FORMA	ACTUAL	PRO	-----
FORMA AS ADJUSTED	-----	-----	-----	-----
-----	(DOLLARS IN THOUSANDS)	LONG-TERM	-----	-----
DEBT: Credit facilities: Charter				
Operating.....	\$			
3,815,000	\$ 4,497,781	\$ 3,450,000	CC VI --	
Fanch.....				
901,000	850,000	850,000	CC VII --	
Falcon.....				
698,750	488,750	488,750	CC VIII --	
Bresnan.....				
1,005,000	1,000,000	1,000,000	Charter	
Holdings notes(a).....				
6,304,266	6,304,266	6,304,266	9.625% senior	
notes due 2009.....				
350,000	10.000% senior notes due			
2011.....			-- -- 575,000	
11.750% senior discount notes due				
2011.....			-- -- 575,190	
Other				
notes(b).....				
233,331	233,737	233,737		
-----	-----	-----		
Total long-term				
debt.....		12,957,347		
13,374,534	13,826,943	-----		
-----	-----			
MINORITY				
INTEREST(c).....				
643,685	643,685	643,685		
-----	-----	-----		
MEMBERS'				
EQUITY.....				
7,696,436	9,022,455	9,022,455		
-----	-----	-----		
Total				
capitalization.....				
\$21,297,468	\$23,040,674	\$23,493,083		
=====	=====	=====		

-----  
 (a) Represents the following Charter Holdings notes:

8.250% senior notes due 2007.....	\$ 598,807
8.625% senior notes due 2009.....	1,496,359
9.920% senior discount notes due 2011.....	1,103,285
10.00% senior notes due 2009.....	675,000
10.25% senior notes due 2010.....	325,000
11.75% senior discount notes due 2010.....	345,307
10.750% senior notes due 2009.....	899,240
11.125% senior notes due 2011.....	500,000
13.500% senior discount notes due 2011.....	361,268
	-----
	\$6,304,266
	=====

(b) Primarily represents outstanding public notes of our Renaissance and Avalon subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financing Activities" and "Description of Certain Indebtedness -- Existing Public Debt." The pro forma increase relates to debt assumed in the AT&T transactions.

(c) Minority interest consists of preferred membership units in a subsidiary of Charter Holdings issued to certain Bresnan sellers, which are exchangeable on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.

## UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following Unaudited Pro Forma Financial Statements of Charter Holdings are based on the historical financial statements of Charter Holdings.

The balance sheet is adjusted on a pro forma basis to reflect the following transactions as if they had occurred on March 31, 2001:

- (1) the repayment of all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities with an equity contribution by Charter Communications Holding Company of \$1.3 billion of the net proceeds from the issuance and sale by Charter Communications, Inc. of its May 2001 convertible senior notes and the May 2001 issuance and sale by Charter Communications, Inc. of 52,389,000 shares of its Class A common stock;
- (2) the closing of the AT&T transactions and the borrowing of approximately \$1,047.4 million under the Charter Operating revolving credit facility to pay a portion of the AT&T purchase price; and
- (3) the issuance and sale of the original notes described in this prospectus and the application of the net proceeds.

The statements of operations are adjusted on a pro forma basis to illustrate the estimated effects of the following transactions as if they had occurred on January 1, 2000:

- (1) acquisitions and dispositions completed during 2000;
- (2) the closing of the AT&T transactions and the borrowing of approximately \$1,047.4 million under the Charter Operating revolving credit facility to pay a portion of the AT&T purchase price;
- (3) borrowings under the Charter Holdings 2000 senior bridge loan facility and the application of a portion of such borrowings to repay a portion of the amounts outstanding under the Charter Operating and CC VII (Falcon) revolving credit facilities;
- (4) the issuance and sale of the January 2001 Charter Holdings notes and the application of the net proceeds to repay all remaining amounts outstanding under the Charter Holdings 2000 senior bridge loan facility and the CC VI (Fanch) revolving credit facility, and a portion of the amounts outstanding under the Charter Operating and CC VII (Falcon) revolving credit facilities;
- (5) the repayment of a portion of the Charter Holdings 2000 senior bridge loan facility with an equity contribution by Charter Communications Holding Company of the net proceeds from the sale by Charter Communications, Inc. of its October 2000 convertible senior notes;
- (6) the repayment of all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities with an equity contribution by Charter Communications Holding Company of \$1.3 billion of the net proceeds from the issuance and sale by Charter Communications, Inc. of its May 2001 convertible senior notes and the May 2001 issuance and sale by Charter Communications, Inc. of 52,389,000 shares of its Class A common stock; and
- (7) the issuance and sale of the original notes described in this prospectus and the application of the net proceeds to repay all amounts outstanding under the Charter Operating revolving credit facility.

The Unaudited Pro Forma Financial Statements reflect the application of the principles of purchase accounting to the transactions listed in items (1) and (2) above. The allocation of certain

purchase prices is based, in part, on preliminary information, which is subject to adjustment upon obtaining complete valuation information of intangible assets and is subject to post-closing purchase price adjustments. We believe that finalization of the purchase prices and the allocation will not have a material impact on the results of operations or financial position of Charter Holdings.

The Unaudited Pro Forma Financial Statements of Charter Holdings do not purport to be indicative of what our financial position or results of operations would actually have been had the transactions described above been completed on the dates indicated or to project our results of operations for any future date.

UNAUDITED PRO FORMA DATA AS OF AND FOR  
THE THREE MONTHS ENDED MARCH 31, 2001 - -

-----  
CHARTER AT&T OFFERING HOLDINGS  
TRANSACTIONS ADJUSTMENT (NOTE A) (NOTE B)  
SUBTOTAL (NOTE C) TOTAL -----

----- (DOLLARS  
IN THOUSANDS, EXCEPT SUBSCRIBER DATA)

STATEMENT OF OPERATIONS:

Revenues.....				
\$ 873,797	\$ 79,284	\$ 953,081	\$ --	\$
953,081				
-----				
Operating				
expenses: Operating, general and				
administrative... 472,147	50,847	522,994		
-- 522,994	Depreciation and			
amortization..... 693,812	36,115			
729,927	-- 729,927	Option compensation		
expense..... 6,038	-- 6,038	--		
6,038	Corporate expense			
charges..... 13,721	5,005			
18,726	-- 18,726			
-----				
Total				
operating expenses.....				
1,185,718	91,967	1,277,685	--	1,277,685
-----				
Loss from				
operations.....				
(311,921)	(12,683)	(324,604)	--	
(324,604)]	Interest			
expense.....				
(287,088)	(19,251)	(306,339)	(21,858)	
(328,197)	Interest			
income.....	89	--		
89	-- 89	Other		
expense.....				
(58,978)	(122)	(59,100)	--	(59,100)
-----				
Loss before minority interest				
expense..... (657,898)	(32,056)	(689,954)		
(21,858)	(711,812)	Minority interest		
expense (Note D)..... (3,159)	--			
(3,159)	-- (3,159)			
-----				
Net				
loss.....	\$			
(661,057)	\$ (32,056)	\$ (693,113)		
\$(21,858)	\$ (714,971)	=====		
=====	=====	=====		
=====				
OTHER FINANCIAL DATA: EBITDA				
(Note E).....	\$			
322,913	\$ 23,310	\$ 346,223	\$ 346,223	
EBITDA margin (Note				
F).....	37.0%	29.4%	36.3%	
36.3%	Adjusted EBITDA (Note			
G).....	\$ 401,650	\$ 28,437	\$	
430,087	\$ 430,087	Cash flows from (used		
		in) operating		
activities.....				
(154,956)	23,600	(131,356)	(131,356)	Cash
				flows from (used in) investing
activities.....				
(527,446)	7,651	(519,795)	(519,795)	Cash
				flows from (used in) financing
activities.....				
562,683	(30,814)	531,869	531,869	Capital

expenditures.....			
521,442 (2,270) 519,172 519,172 Cash			
interest expense.....			
269,589 Deficiency of earnings to cover			
fixed charges (Note			
H).....	\$ 714,971		
OPERATING DATA (AT END OF PERIOD, EXCEPT			
FOR AVERAGE): Homes passed (Note			
I).....	10,258,300		
1,078,614 11,336,914 11,336,914 Basic			
customers (Note J).....			
6,349,823 562,933 6,912,756 6,912,756			
Basic penetration (Note			
K).....	61.9% 52.2% 61.0%		
61.0% Premium units (Note			
L).....	5,199,721 746,548		
5,946,269 5,946,269 Premium penetration			
(Note M).....	81.9% 132.6% 86.0%		
86.0% Average monthly revenue per basic			
customer (Note			
N).....	\$		
	45.96		



## NOTES TO UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

NOTE A: Pro forma operating results for Charter Holdings consist of the following (dollars in thousands):

HISTORICAL	-----	3/31/2001	CHARTER	PRO	FORMA	HOLDINGS
ADJUSTMENTS	TOTAL	-----	-----	-----	-----	-----
Revenues.....						
\$ 873,797	\$ --	\$ 873,797				
Operating expenses: Operating, general and administrative.....		472,147	--	472,147		
Depreciation and amortization.....		693,812	--	693,812		
Option compensation expense.....		6,038	--	6,038		
Corporate expense charges.....		13,721	--	13,721		
					Total	
operating expenses.....						
1,185,718	--	1,185,718				Loss
from operations.....						
		(311,921)	--	(311,921)		Interest
expense.....						
(298,648)	11,560(a)	(287,088)				Interest
income.....				89	--	
		89		Other		
expense.....						
(58,978)	--	(58,978)				Loss
before minority interest expense.....						
(669,458)	11,560	(657,898)				Minority interest
expense.....				(3,159)	--	
(3,159)						Net
loss.....						\$
(672,617)	\$11,560	\$ (661,057)				=====

(a) Represents a decrease in interest expense related to the repayment of amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities with the net proceeds from an equity contribution by Charter Communications Holding Company of \$1.3 billion of the net proceeds from the issuance and sale by Charter Communications, Inc. of its May 2001 convertible senior notes and the issuance and sale by Charter Communications, Inc. of 52,389,000 shares of its Class A common stock.

\$365.0 million of Charter Operating revolving credit facilities at a composite rate of 7.34%.....	\$ 6.7
\$51.0 million of CC VI (Fanch) revolving credit facilities at a composite rate of 7.18%.....	0.9
\$210.0 million of CC VII (Falcon) revolving credit facilities at a composite rate of 7.34%.....	3.9
\$5.0 million of CC VIII (Bresnan) revolving credit facilities at a composite rate of 6.90%.....	0.1
	-----
Adjustment.....	\$11.6
	=====

NOTE B: Pro forma operating results for the AT&T transactions consist of the following (dollars in thousands):

AS OF AND FOR THE THREE MONTHS ENDED MARCH	-----
31, 2001	-----
-----	PENDING
ACQUISITION	-----
-----	PRO
FORMA	-----
-----	AT&T
TRANSACTIONS(a) DISPOSITIONS(b) ADJUSTMENTS	-----
TOTAL	-----
-----	-----
Revenues.....	
\$80,307	\$(1,023) \$ -- \$ 79,284
Operating expenses:	
Operating, general and administrative.....	
51,289	(442) -- 50,847
Depreciation and amortization.....	
	24,419 (352)

12,048(c)	36,115	Corporate expense		
charges.....	5,005	-- --	5,005	
		----- Total		
operating expenses.....	80,713	(794)		
12,048	91,967	-----		
		---- Income (loss) from		
		operations.....	(406)	(229)
		(12,048)	(12,683)	Interest
expense.....	(12)	--		
	(19,239)(d)	(19,251)	Other income	
(expense).....	(122)	-- --		
	(122)	-----		
		Loss before income taxes and minority		
interest expense.....				
(540)	(229)	(31,287)	(32,056)	-----
		----- Net		
loss.....				\$
(540)	\$ (229)	\$(31,287)	\$(32,056)	=====
	=====	=====	=====	

- (a) Represents the results of operations of the systems acquired in the AT&T transactions for the three months ended March 31, 2001.
- (b) Represents the results of operations of the Charter system transferred to AT&T in the AT&T transactions. No material gain or loss occurred on the disposition as the system was recently acquired and recorded at fair value at that time.
- (c) Represents additional depreciation and amortization as a result of the AT&T transactions. A large portion of the purchase price was allocated to franchises (\$1.3 billion) that are amortized over 15 years. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

WEIGHTED AVERAGE DEPRECIATION/ FAIR VALUE USEFUL LIFE	
AMORTIZATION -----	
Franchises.....	\$1,308.1 15 \$ 21.8
Cable distribution systems.....	369.3 7 13.2
Buildings and equipment.....	38.5 7 1.4 -----
Total depreciation and	
amortization.....	36.4 Less --
historical depreciation and amortization.....	(24.4) -----
Adjustment.....	\$ 12.0 =====

- (d) Reflects approximately \$19.2 million in additional interest expense related to \$1.0 billion of borrowings under the Charter Operating revolving credit facility at a composite current rate of 7.34%.

An increase in the interest rate of 0.125% on all variable rate debt would result in an increase in interest expense of \$1.8 million.

NOTE C: The offering adjustment of approximately \$21.9 million in additional interest expense consists of the following (dollars in millions):

\$350.0 million of 9.625% senior notes due 2009.....	\$ 8.4
\$575.0 million of 10.000% senior notes due 2011.....	14.4
\$1,018.0 million of 11.750% senior discount notes due	
2011.....	17.4
Amortization of debt issuance costs.....	0.9
	-----
Total pro forma interest expense.....	41.1
Less: Interest expense on repayment of \$1.0 billion of	
Charter Operating revolving credit facility at a	
composite rate of 7.34%.....	(19.2)
	-----
Adjustment.....	\$ 21.9
	=====

NOTE D: Represents 2% accretion of the preferred membership units in a subsidiary of Charter Holdings issued to certain Bresnan sellers.

NOTE E: EBITDA represents earnings (loss) before interest, depreciation and amortization, and minority interest. EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service indebtedness. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

NOTE F: EBITDA margin represents EBITDA as a percentage of revenues.

NOTE G: Adjusted EBITDA means EBITDA before option compensation expense, corporate expense charges and other expense. Adjusted EBITDA is presented because it is a widely accepted indicator of a cable company's ability to service indebtedness. However, adjusted EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. Adjusted EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because adjusted EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by adjusted EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

NOTE H: Earnings include net income (loss) plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

NOTE I: Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable distribution network in a given cable system service area.

NOTE J: Basic customers are customers who receive basic cable service.

NOTE K: Basic penetration represents basic customers as a percentage of homes passed.

NOTE L: Premium units represent the total number of subscriptions to premium channels.

NOTE M: Premium penetration represents premium units as a percentage of basic customers.

NOTE N: Average monthly revenue per basic customer represents revenues divided by three divided by the number of basic customers at March 31, 2001.



## NOTES TO UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

NOTE A: Pro forma operating results for Charter Holdings consist of the following (dollars in thousands):

HISTORICAL	-----	12/31/2000	CHARTER	PRO	FORMA
HOLDINGS	ADJUSTMENTS	TOTAL	-----	-----	-----
Revenues.....					
\$ 3,249,222	\$ --	\$ 3,249,222	-----	-----	-----
--- Operating expenses: Operating, general and administrative.....	1,650,918	-- 1,650,918			
Depreciation and amortization.....	2,462,544	-- 2,462,544			
Option compensation expense.....	40,978	-- 40,978			
Corporate expense charges.....	55,243	-- 55,243			
			-----	-----	-----
					Total
					operating expenses.....
			-----	-----	-----
					Loss from
					operations.....
			(960,461)	-- (960,461)	Interest
					expense.....
			(1,065,236)	22,819(a)	(1,042,417)
					Interest
					income.....
					6,679 -
					- 6,679 Other
					expense.....
			(17,503)	-- (17,503)	-----
					Loss
					before minority interest expense.....
			(2,036,521)	22,819	(2,013,702)
					Minority interest
					expense.....
					(11,038)
					(11,038)
					-----
					Net
					loss.....
			\$ (2,047,559)	\$ 22,819	\$ (2,024,740)
					=====
					=====

(a) Represents a decrease in interest expense related to (1) an increase in interest expense of \$17.8 million related to borrowings under the Charter Holdings 2000 senior bridge loan facility and the application of substantially all of such borrowings to repay a portion of the amounts outstanding under the Charter Operating and CC VII (Falcon) revolving credit facilities, (2) an increase in interest expense of \$48.8 million related to the January 2001 Charter Holdings notes, (3) a decrease in interest expense of \$66.8 million related to the repayment of a portion of amounts outstanding under the Charter Holdings 2000 senior bridge loan facility with net proceeds from the sale of Charter Communications, Inc.'s October 2000 convertible senior notes, substantially all of which net proceeds were contributed as equity to Charter Holdings, and (4) a decrease in interest expense of \$22.6 million related to the equity contribution by Charter Communications Holding Company of \$1.3 billion of the net proceeds from the issuance and sale by Charter Communications, Inc. of its May 2001 convertible senior notes and the May 2001 issuance and sale by Charter Communications, Inc. of 52,389,000 shares of its Class A common stock and the application of these proceeds to pay the remaining portion of the amounts outstanding under the revolving credit facilities of our subsidiaries (dollars in millions):

INTEREST DESCRIPTION	EXPENSE	-----
\$1.0 billion of Charter Holdings 2000 senior bridge loan at a weighted average rate of 10.85%.....	\$ 67.8	Amortization of debt issuance costs..... 1.6 -
		-----
		Total pro forma interest
expense.....	69.4	Less: Historical interest expense on \$957.0 million Charter Operating and CC VII (Falcon) revolving credit facilities at a composite rate of 8.6%..... (51.6) -----
Adjustment.....		
17.8 \$900.0 million of 10.750% senior notes due 2009.....	96.7	\$500.0 million of 11.125% senior notes due 2011..... 55.6
million of 13.500% senior discount notes due 2011....	49.6	Amortization of debt issuance costs..... 3.6 -----
		Total pro

forma interest expense.....	205.5
Less -- interest expense on debt repaid.....	(156.7) -----
Adjustment.....	
48.8 Less -- interest expense on debt repaid by equity contribution: \$727.5 million of Charter Holdings 2000 senior bridge loan at a weighted average rate of 10.85%.....	(65.8)
Amortization of debt issuance costs.....	(1.0) -----
Adjustment.....	
	(66.8)

INTEREST DESCRIPTION EXPENSE -----  
 \$105.0 million of Charter Operating revolving credit  
 facility at a composite rate of  
 8.45%..... (8.9) \$75.0 million of CC VII  
 (Falcon) revolving credit facility at a composite  
 rate of 8.23%..... (6.2) \$92.0 million  
 of CC VIII (Bresnan) revolving credit facility at a  
 composite rate of 8.25%..... (7.5) -----  
 --  
 Adjustment.....  
 (22.6) - ----- Total interest expense  
 adjustment..... \$(22.8) =====

NOTE B: Pro forma operating results for our acquisitions since January 1,  
 2000 consist of the following (dollars in thousands):

YEAR ENDED DECEMBER 31, 2000 - -----  
 -----  
 - RECENT ACQUISITIONS - -- HISTORICAL - -----  
 -----  
 ----- BRESNAN(a) KALAMAZOO(b) AT&T(c)  
 OTHER(d) Total -----  
 -----  
 Revenues.....  
 \$37,102 \$14,151 \$314,492 \$ 3,187 \$368,932 ---  
 -----  
 Operating expenses: Operating, general and  
 administrative..... 24,925 8,437 208,682  
 2,759 244,803 Depreciation and  
 amortization..... 8,095 1,640  
 129,253 777 139,765 Corporate expense  
 charges..... 1,389 318 12,088  
 112 13,907 -----  
 ----- Total operating  
 expenses..... 34,409 10,395  
 350,023 3,648 398,475 -----  
 ----- Income (loss) from  
 operations..... 2,693 3,756  
 (35,531) (461) (29,543) Interest  
 expense..... (9,566)  
 -- (63) (1,565) (11,194) Interest  
 income..... 44  
 3,365 -- 2 3,411 Other  
 expense.....  
 (106) (131) (646) (1) (884) -----  
 ----- Income (loss)  
 before income taxes..... (6,935)  
 6,990 (36,240) (2,025) (38,210) Income tax  
 benefit..... -- -- 78  
 -- 78 -----  
 ----- Net  
 loss.....  
 \$(6,935) \$ 6,990 \$(36,162) \$(2,025) \$(38,132)  
 =====

YEAR ENDED DECEMBER 31, 2000 - -----  
 -----  
 ----- RECENT  
 ACQUISITIONS - -----  
 -----  
 ----- PRO FORMA - -----  
 -----  
 ----- HISTORICAL ACQUISITIONS(e)  
 DISPOSITIONS(f) ADJUSTMENTS TOTAL -----  
 -----  
 Revenues.....  
 \$368,932 \$556 \$(9,189) \$ -- \$360,299 --  
 -----  
 Operating expenses: Operating, general  
 and  
 administrative.....  
 244,803 415 (4,333) (4,616)(g) 236,269



Depreciation and amortization.....  
 139,765 107 (1,254) 53,239(h) 191,857  
 Corporate expense charges.....  
 13,907 47 -- (1,032)(g) 12,922 -----  
 ----- Total  
 operating expenses..... 398,475 569  
 (5,587) 47,591 441,048 -----  
 ----- Income (loss)  
 from operations..... (29,543)  
 (13) (3,602) (47,591) (80,749) Interest  
 expense.....  
 (11,194) (8) -- (70,901)(i) (82,103)  
 Interest  
 income..... 3,411 -  
 - -- (3,460)(j) (49) Other income  
 (expense)..... (884) 10 55  
 96(k) (723) -----  
 ----- Loss before income taxes  
 and, minority interest in loss of  
 subsidiary..... (38,210) (11)  
 (3,547) (121,856) (163,624) Income tax  
 benefit..... 78 5 --  
 (83)(l) -- Minority interest in loss of  
 subsidiary.....  
 -- -- -- (1,551)(m) (1,551) -----  
 ----- Net  
 loss.....  
 \$(38,132) \$ (6) \$(3,547) \$(123,490)  
 \$(165,175) =====  
 =====

- (a) Represents the results of operations of Bresnan for the period from January 1, 2000 to February 14, 2000, the date of acquisition.
- (b) Represents the results of operations of Kalamazoo for the period from January 1, 2000 to September 7, 2000, the date of acquisition.
- (c) Represents the results of operations of the systems acquired in the AT&T transactions for the year ended December 31, 2000.
- (d) Represents the historical results of operations of Capital Cable and Farmington for the period from January 1, 2000 through April 1, 2000, the date of these acquisitions, and of Interlake for the period from January 1, 2000 through January 31, 2000, the date of that acquisition.
- (e) Represents the historical results of operations for the period from January 1, 2000 through the date of purchase for an acquisition completed by Bresnan. This acquisition was accounted for using the purchase method of accounting. The purchase price was \$36.2 million and the transaction closed in January 2000.
- (f) Represents the results of operations of a North Dakota cable system sold in December 2000, the results of operations of an Indiana cable system transferred in March 2000, and the results of operations of the Charter system transferred in the AT&T transactions. No material gain or loss occurred on the dispositions as these systems were recently acquired and recorded at fair value at that time.
- (g) Reflects a reclassification of expenses representing corporate expenses that would have occurred at Charter Investment, Inc. totaling \$0.2 million. The remaining adjustment primarily relates to the elimination of severance and divestiture costs of \$3.8 million and an adjustment for loss contracts of \$0.6 million that were included in operating, general and administrative expense. Also represents the elimination of termination benefits of \$1.2 million paid in connection with the Bresnan acquisition included in corporate expense charges.
- (h) Represents additional depreciation and amortization as a result of our acquisitions completed in 2000 and the AT&T transactions. A large portion of the purchase price was allocated to franchises (\$4.3 billion) that are amortized over 15 years. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

	WEIGHTED AVERAGE DEPRECIATION/ AMORTIZATION	-----	FAIR VALUE	USEFUL LIFE	-----
Franchises.....	\$4,272.9	15	\$ 122.9		
Cable distribution systems.....	695.0	7	63.1	Land,	
buildings and improvements.....	10.2	10	0.4	Vehicles and	
equipment.....	55.3	6	6.7	-----	Total
depreciation and amortization.....					
	193.1			Less -- historical depreciation and	
				amortization.....	(139.9)
Adjustment.....				-----	
	\$ 53.2			=====	

- (i) Reflects additional interest expense on borrowings, which were used to finance our acquisitions completed in 2000 and the AT&T transactions as follows (dollars in millions):

DESCRIPTION	INTEREST EXPENSE	-----
---- \$631.2 million of credit facilities at a composite current rate of 8.4% -- CC VIII (Bresnan).....	\$ 6.6	\$361.0
million of January 2000 Charter Holdings notes used to refinance Bresnan 8.0% senior notes and 9.25% senior discount notes at composite rate of 10.55%.....	4.7	Interest expense on additional borrowings used to finance other acquisitions at a composite current rate of 8.8%....
13.0 \$682.7 million of credit facilities at a composite rate of 8.45% -- Charter Operating.....	57.7	-----
Total pro forma interest expense.....	82.0	Less -- historical interest expense from acquired companies.....
	(11.1)	-----
Adjustment.....	\$ 70.9	=====

An increase in the interest rate of 0.125% on all variable rate debt would result in an increase in interest expense of \$7.0 million.

- (j) Represents interest income on a historical related party receivable that was retained by the seller.
- (k) Represents the elimination of gain (loss) on sale of cable systems whose results of operations have been eliminated in (f) above.
- (l) Reflects the elimination of income tax benefit as a result of being acquired by a limited liability company.
- (m) Represents the 2% accretion of the preferred membership units in an indirect subsidiary of Charter Holdings issued to certain Bresnan sellers.

NOTE C: The offering adjustment of approximately \$106.7 million in additional interest expense consists of the following (dollars in millions):

\$350.0 million of 9.625% senior notes due 2009.....	\$ 33.7
\$575.0 million of 10.000% senior notes due 2011.....	57.5
\$1,018.0 million of 11.750% senior discount notes due 2011.....	69.6
Amortization of debt issuance costs.....	3.6
	-----
Total pro forma interest expense.....	164.4
Less: Interest expense on repayment of \$682.7 million of Charter Operating revolving credit facility at a composite rate of 8.45%.....	(57.7)
	-----
Adjustment.....	\$106.7
	=====

NOTE D: Represents the 2% accretion of the preferred membership units in an indirect subsidiary of Charter Holdings issued to certain Bresnan sellers. These membership units are exchangeable on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.

NOTE E: EBITDA represents earnings (loss) before interest, income taxes, depreciation and amortization, and minority interest. EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service indebtedness. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements

and by restrictions related to legal requirements, commitments and uncertainties.

NOTE F: EBITDA margin represents EBITDA as a percentage of revenues.

NOTE G: Adjusted EBITDA means EBITDA before option compensation expense, corporate expense charges and other expense. Adjusted EBITDA is presented because it is a widely accepted indicator of a cable company's ability to service indebtedness. However, adjusted EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. Adjusted EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because adjusted EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by adjusted EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

NOTE H: Earnings include net income (loss) plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

NOTE I: Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable distribution network in a given cable system service area.

NOTE J: Basic customers are customers who receive basic cable service.

NOTE K: Basic penetration represents basic customers as a percentage of homes passed.

NOTE L: Premium units represent the total number of subscriptions to premium channels.

NOTE M: Premium penetration represents premium units as a percentage of basic customers.

NOTE N: Average monthly revenue per basic customer represents revenues divided by twelve divided by the number of basic customers at December 31, 2000.

UNAUDITED PRO FORMA BALANCE SHEET AS OF MARCH 31, 2001 - -----  
 ----- CHARTER AT&T OFFERING  
 HOLDINGS TRANSACTIONS ADJUSTMENT (NOTE A) (NOTE  
 B) SUBTOTAL (NOTE C) TOTAL -----  
 ----- ASSETS

Cash and cash			
equivalents.....	\$ 705,919	\$	
(695,019) \$ 10,900	\$417,409	\$ 428,309	Accounts
receivable, net.....	208,937		
9,973 218,910 --	218,910	Receivable from related	
party.....	179 -- 179 --	179	
Prepaid expenses and			
other.....	82,690 (36)	82,654	
-- 82,654			
----- Total current			
assets.....	997,725		
(685,082) 312,643	417,409	730,052	Property, plant
and equipment.....	5,398,397		
398,320 5,796,717	-- 5,796,717		
Franchises.....			
16,753,694 1,294,420	18,048,114 --	18,048,114	
Other			
assets.....			
263,314 52,070	315,384 35,000	350,384	
-----			
Total assets.....			
\$23,413,130 \$1,059,728	\$24,472,858	\$452,409	
\$24,925,267	=====	=====	=====
===== LIABILITIES AND			
SHAREHOLDERS' EQUITY			
Accounts payable and accrued			
expenses.....	\$ 1,088,034	\$ 11,569	\$
1,099,603 \$ --	\$ 1,099,603		
----- Total current			
liabilities.....	1,088,034	11,569	
1,099,603 --	1,099,603	Long-term	
debt.....			
12,326,347 1,048,187	13,374,534	452,409	
13,826,943	Deferred management fees --	related	
party.....	13,751 -- 13,751 --	13,751	Other
long-term liabilities.....			
318,858 (28)	318,830 --	318,830	Minority
interest.....	643,685		
-- 643,685 --	643,685	Members'	
equity.....			
9,022,455 --	9,022,455 --	9,022,455	
-----			
Total liabilities and members' equity.....			
\$23,413,130 \$1,059,728	\$24,472,858	\$452,409	
\$24,925,267	=====	=====	=====
=====			

NOTES TO THE UNAUDITED PRO FORMA BALANCE SHEET

NOTE A: The pro forma balance sheet for Charter Holdings consists of the following (dollars in thousands):

AS OF MARCH 31, 2001 - -----  
 ----- CHARTER HOLDINGS - -----  
 ----- PRO FORMA HISTORICAL ADJUSTMENTS TOTAL -----  
 ----- ASSETS

Cash and cash			
equivalents.....	\$ 10,900	\$	
695,019(a) \$ 705,919	Accounts		
receivable, net.....	208,937 --	208,937	
Receivable from related			
party.....	179 --	179	Prepaid
expenses and other.....			
-- 82,690		82,690	
----- Total			
current assets.....	302,706		
695,019 997,725	Property, plant	and	
equipment.....	5,398,397 --		
5,398,397			
Franchises.....			
16,753,694 --	16,753,694	Other	
assets.....			
263,314 --	263,314		
-----			
Total assets.....			

\$22,718,111	\$ 695,019	\$23,413,130	=====	=====
===== LIABILITIES AND MEMBERS' EQUITY Accounts				
payable and accrued expenses..... \$				
1,088,034	\$ --	\$ 1,088,034	-----	-----
---- Total current				
liabilities..... 1,088,034 --				
1,088,034 Long-term				
debt.....				
12,957,347	(631,000)(a)	12,326,347	Deferred management fees	
--	related party.....	13,751	--	13,751 Other
long-term liabilities.....				
318,858 -- 318,858 Minority				
interest..... 643,685				
-- 643,685 Members'				
equity.....				
7,696,436	1,326,019(a)	9,022,455	-----	-----
----- Total liabilities and members'				
equity..... \$22,718,111 \$ 695,019 \$23,413,130				
=====				

-----

(a) Represents the receipt of cash of \$1.3 billion from Charter Communications Holding Company and the application of a portion of such cash to repay amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) credit facilities. The remaining \$695.0 million was applied to cash and cash equivalents for use to fund the AT&T transactions.

NOTE B: The pro forma balance sheet for the AT&T transactions consists of the following (dollars in thousands):

AS OF MARCH 31, 2001 - -----		
-----		
	----- AT&T	
	TRANSACTIONS(a)	DISPOSITIONS(b)
ADJUSTMENTS TOTAL	-----	-----
-----		
	----- ASSETS	
	Cash and cash	
equivalents.....	\$ 7,613	\$
(413) \$ (702,219)(c)	\$ (695,019)	
Accounts receivable,		
net.....	10,080	(107) --
9,973 Receivable from related		
party.....	-- -- --	-- Prepaid
expenses and other.....	--	--
(36) -- (36)	-----	-----
----- Total current		
assets.....	17,693	(556)
(702,219) (685,082)	Property, plant	
and equipment.....	410,617	
(12,297) --	398,320	
Franchises.....		
1,294,742 (13,713)	13,391(d)	
1,294,420	Other	
assets.....		
52,208 (138) --	52,070	-----
----- Total		
assets.....		
\$1,775,260 \$(26,704)	\$ (688,828)	\$
1,059,728	=====	=====
=====	=====	=====
===== LIABILITIES		
AND SHAREHOLDERS' EQUITY		
	Accounts	
	payable and accrued	
expenses.....		
\$ 14,245 \$ (2,676)	\$ --	\$ 11,569
Payables to manager of cable systems		
-- related party.....	121,296	
-- (121,296)(e)	--	-----
----- Total		
current liabilities.....	135,541	
(2,676) (121,296)	11,569	Long-term
debt.....	406	--
1,047,781(f)	1,048,187	Other long-
term liabilities.....	-- (28)	--
- (28) Minority		
interest.....	-- -- --	-- -- --
- -- Shareholders'		
equity.....	1,639,313	
(24,000) (1,615,313)(g)	--	-----
-----		
Total liabilities and shareholders'		
equity.....	\$1,775,260	
\$(26,704) \$ (688,828)	\$ 1,059,728	
=====	=====	=====
=====		

- (a) Represents the assets and liabilities of the systems acquired in the AT&T transactions.
- (b) Represents the assets and liabilities of the Charter system transferred to AT&T in the AT&T transactions.
- (c) Represents cash used to fund a portion of the purchase price of the AT&T transactions.
- (d) Substantial amounts of the purchase price have been allocated to franchises based on estimated fair values. This results in an allocation of purchase price as follows (dollars in thousands):

	AT&T	-----	Working
capital.....			\$
	3,448	Property, plant, and	
equipment.....	410,617		
Franchises.....			



	1,308,133	
Other.....		
	51,802	----- \$1,774,000 =====

(e) Represents liabilities retained by the seller.

(f) Represents additional borrowings from the Charter Operating revolving credit facility to pay the remaining cash portion of the purchase price of the AT&T transactions.

(g) Represents the following adjustment related to the AT&T transactions:

Fair value of assets transferred.....	\$ 24,000
Less: Historical equity.....	(1,639,313)
	-----
Adjustment.....	\$(1,615,313)
	=====

NOTE C: Offering adjustments represent additional long-term debt that consists of the following (dollars in millions):

9.625% senior notes due 2009.....	\$	350.0
10.000% senior notes due 2011.....		575.0
11.750% senior discount notes due 2011.....		575.2
Less -- Charter operating revolving credit facility.....		(1,047.8)
		-----
Total pro forma adjustment.....	\$	452.4
		=====

In connection with the sale of the original notes, the remaining net proceeds of \$417.4 million were applied to cash and cash equivalents for general corporate purposes.

## SELECTED HISTORICAL FINANCIAL DATA

The selected historical financial data below for the years ended December 31, 1996 and 1997, for the periods from January 1, 1998 through December 23, 1998 and from December 24, 1998 through December 31, 1998 and the years ended December 31, 1999 and 2000 are derived from the consolidated financial statements of Charter Holdings. The consolidated financial statements of Charter Holdings for the years ended December 31, 1996 and 1997, for the periods from January 1, 1998 through December 23, 1998 and from December 24, 1998 through December 31, 1998, and years ended December 31, 1999 and 2000 have been audited by Arthur Andersen LLP, independent public accountants. The consolidated financial statements for Charter Holdings for the periods from January 1, 1998 through December 23, 1998 and December 24, 1998 through December 31, 1998, and for the years ended December 31, 1999 and 2000 are included elsewhere in this prospectus. The information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this prospectus.

## SELECTED HISTORICAL FINANCIAL DATA

## CHARTER HOLDINGS - -----

-----  
 YEAR ENDED DECEMBER 31, 1/1/98  
 12/24/98 YEAR ENDED YEAR ENDED  
 ----- THROUGH  
 THROUGH DECEMBER 31, DECEMBER  
 31, 1996 1997 12/23/98  
 12/31/98 1999 2000 ----- ---  
 -----

(DOLLARS IN THOUSANDS)

## STATEMENT OF OPERATIONS:

Revenues.....  
 \$14,881 \$18,867 \$ 49,731 \$  
 13,713 \$ 1,428,090 \$ 3,249,222  
 -----

- Operating expenses:  
 Operating, general and  
 administrative.....  
 8,123 11,767 25,952 7,134  
 737,957 1,650,918 Depreciation  
 and  
 amortization.....  
 4,593 6,103 16,864 8,318  
 745,315 2,462,544 Option  
 compensation  
 expense..... --  
 -- -- 845 79,979 40,978  
 Management fees/corporate  
 expense charges.....  
 446 566 6,176 473 51,428  
 55,243 -----

----- Total operating  
 expenses... 13,162 18,436  
 48,992 16,770 1,614,679  
 4,209,683 -----

----- Income (loss) from  
 operations.....  
 1,719 431 739 (3,057)  
 (186,589) (960,461) Interest  
 expense..... (4,415)  
 (5,120) (17,277) (2,353)  
 (471,871) (1,065,236) Interest  
 income..... 20 41  
 44 133 18,821 6,679 Other  
 income (expense)..... (47)  
 25 (728) -- (245) (17,503) ---  
 -----

-----  
 Loss before income taxes,  
 minority interest expense and  
 extraordinary item.....  
 (2,723) (4,623) (17,222)  
 (5,277) (639,884) (2,036,521)

Income tax

expense..... -- -- --  
 -- (1,030) -- Minority  
 interest expense..... -- -- --  
 - - - - (11,038) Extraordinary  
 item-loss from early  
 extinguishment of  
 debt.....  
 - - - - (7,794) - - - -

----- Net  
 loss.....  
 \$(2,723) \$(4,623) \$(17,222) \$  
 (5,277) \$ (648,708)  
 \$(2,047,559) =====  
 =====

BALANCE SHEET DATA (AT END OF PERIOD): Total

assets.....  
 \$67,994 \$55,811 \$281,969  
 \$4,335,527 \$18,939,477  
 \$22,982,177 Total  
 debt.....  
 59,222 41,500 274,698  
 1,991,756 10,015,618  
 12,310,455 Member's equity  
 (deficit)..... 2,648 (1,975)  
 (8,397) 2,147,379 8,047,953  
 8,383,863

CHARTER HOLDINGS -----  
 ----- THREE THREE  
 MONTHS ENDED MONTHS ENDED  
 MARCH 31, MARCH 31, 2000 2001  
 -----

(DOLLARS IN THOUSANDS)

STATEMENT OF OPERATIONS:

Revenues.....  
 \$ 721,604 \$ 873,797 -----  
 - ----- Operating  
 expenses: Operating, general  
 and  
 administrative.....  
 371,769 472,147 Depreciation  
 and  
 amortization.....  
 546,100 693,812 Option  
 compensation  
 expense.....  
 15,500 6,038 Management  
 fees/corporate expense  
 charges..... 12,508  
 13,721 -----  
 Total operating expenses...  
 945,877 1,185,718 -----  
 ----- Income (loss) from  
 operations.....  
 (224,273) (311,921) Interest  
 expense.....  
 (247,034) (298,648) Interest  
 income..... 5,123  
 89 Other income  
 (expense)..... 132  
 (58,978) -----  
 -- Loss before income taxes,  
 minority interest expense and  
 extraordinary item.....  
 (466,052) (669,458) Income tax  
 expense..... -- --  
 Minority interest  
 expense..... (1,552) (3,159)  
 Extraordinary item-loss from  
 early extinguishment of  
 debt.....  
 - - - - -  
 Net  
 loss..... \$  
 (467,604) \$ (672,617)  
 =====

BALANCE SHEET DATA (AT END OF PERIOD): Total

assets.....			
\$21,791,982	\$22,718,111	Total	
debt.....			
11,154,423	12,957,347	Member's	
equity (deficit).....			
9,037,300	7,696,436		

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the "Certain Trends and Uncertainties" section below in this Management's Discussion and Analysis for a discussion of important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements of Charter Communications Holdings, LLC and subsidiaries as of and for the years ended December 31, 2000 and 1999 and for the period from December 24, 1998 through December 31, 1998 and for the period from January 1, 1998 to December 23, 1998.

#### INTRODUCTION

We do not believe that our historical financial condition and results of operations are accurate indicators of future results because of certain significant past events. Those events include numerous mergers, acquisitions and debt financing transactions over the last few years.

#### ORGANIZATIONAL HISTORY

Prior to the acquisition of the Charter companies by Mr. Allen on December 23, 1998 and the merger of Marcus Holdings with and into Charter Holdings effective April 7, 1999, the cable systems of the Charter and Marcus companies were operated under four groups of companies. Three of these groups were comprised of companies that were managed by Charter Investment and in which Charter Investment had an ownership interest. The fourth group was comprised of companies that were subsidiaries of Marcus Holdings which Charter Investment began managing in October 1998.

#### THE CHARTER COMPANIES

Prior to the acquisition by Mr. Allen, the Charter companies were as follows:

(1) CCPH

CCPH was a wholly owned subsidiary of Charter Investment. The primary subsidiary of CCPH, which owned the cable systems, was Charter Communications Properties, LLC. On May 20, 1998, CCPH acquired certain cable systems from Sonic Communications, Inc. for a total purchase price, net of cash acquired, of \$228.4 million, including \$60.9 million of assumed debt. In connection with Mr. Allen's acquisition on December 23, 1998, CCPH was merged out of existence, and Charter Communications Properties became a direct, wholly owned subsidiary of Charter Investment.

(2) CCA Group

The controlling interests in CCA Group were held by affiliates of Kelso & Co., and Charter Investment had only a minority interest. Effective December 23, 1998, prior to Mr. Allen's acquisition, Charter Investment acquired from the Kelso affiliates the interests the Kelso affiliates held in CCA Group. Later, the operating companies comprising CCA Group became wholly owned subsidiaries of Charter Investment.

(3) CharterComm Holdings, LLC

The controlling interests in CharterComm Holdings were held by affiliates of Charterhouse Group International Inc., and Charter Investment had only a minority interest. Effective December 23, 1998, prior to Mr. Allen's acquisition, Charter Investment acquired from the Charterhouse Group affiliates the interests the Charterhouse Group affiliates held

in CharterComm Holdings. Consequently, CharterComm Holdings became a wholly owned subsidiary of Charter Investment.

The cable systems were owned by the various subsidiaries of CharterComm Holdings. In connection with Mr. Allen's acquisition of us on December 23, 1998, some of the non-operating subsidiaries, including CharterComm Holdings, were merged out of existence.

The acquisition by Mr. Allen became effective on December 23, 1998, through a series of transactions in which Mr. Allen acquired approximately 94% of the equity interests of Charter Investment for an aggregate purchase price of \$2.2 billion, excluding \$2.0 billion in assumed debt. CCPH and the operating companies that formerly comprised CCA Group and CharterComm Holdings were contributed to Charter Operating subsequent to Mr. Allen's acquisition. CCPH is deemed to be our predecessor. Consequently, the contribution of CCPH was accounted for as a reorganization under common control. Accordingly, our results of operations for periods prior to and including December 23, 1998 include the accounts of CCPH. The contributions of the operating companies that formerly comprised CCA Group and CharterComm Holdings were accounted for in accordance with purchase accounting. Accordingly, our results of operations for periods after December 23, 1998 include the accounts of CCPH, CCA Group and CharterComm Holdings.

In February 1999, Charter Holdings was formed as a wholly owned subsidiary of Charter Investment, and Charter Operating was formed as a wholly owned subsidiary of Charter Holdings. All of Charter Investment's direct interests in the entities described above were transferred to Charter Operating. All of the prior management agreements were terminated, and a single new management agreement was entered into between Charter Investment and Charter Operating to cover all of the subsidiaries.

In May 1999, Charter Communications Holding Company was formed as a wholly owned subsidiary of Charter Investment. All of Charter Investment's interests in Charter Holdings were transferred to Charter Communications Holding Company.

In July 1999, Charter Communications, Inc. was formed as a wholly owned subsidiary of Charter Investment.

In November 1999, Charter Communications, Inc. conducted its initial public offering. In the initial public offering, substantially all of the equity interests in Charter Communications, Inc. were sold to the public, and less than 1% of its equity interests were sold to Mr. Allen. Charter Communications, Inc. contributed substantially all of the proceeds of its initial public offering to Charter Communications Holding Company, which issued membership units to Charter Communications, Inc. In November 1999, the management agreement between Charter Investment and Charter Operating was amended and assigned from Charter Investment to Charter Communications, Inc. Also in November 1999, Charter Communications Holding Company sold membership units to Vulcan Cable III.

#### THE MARCUS COMPANIES

In April 1998, Mr. Allen acquired approximately 99% of the non-voting economic interests in Marcus Cable, and agreed to acquire the remaining interests. The owner of the remaining partnership interests retained voting control of Marcus Cable. In October 1998, Marcus Cable entered into a management consulting agreement with Charter Investment, pursuant to which Charter Investment provided management and consulting services to Marcus Cable and its subsidiaries which own cable systems. This agreement placed the Marcus cable systems under common management with the cable systems of the Charter companies acquired by Mr. Allen in December 1998.

In March 1999, all of Mr. Allen's interests in Marcus Cable were transferred to Marcus Holdings, a then newly formed company. Later in March 1999, Mr. Allen acquired the remaining

interests in Marcus Cable, including voting control, which interests were transferred to Marcus Holdings. In April 1999, Mr. Allen merged Marcus Holdings into Charter Holdings, and the operating subsidiaries of Marcus Holdings and all of the cable systems they owned came under the ownership of Charter Holdings and, in turn, Charter Operating. For financial reporting purposes, the merger of Marcus Holdings with and into Charter Holdings was accounted for as an acquisition of Marcus Holdings effective March 31, 1999, and accordingly, the results of operations of Marcus Holdings have been included in our consolidated financial statements since that date.

#### ACQUISITIONS

During 1999 and 2000, we completed 16 acquisitions for an aggregate purchase price of \$14.3 billion including aggregate cash payments of \$9.1 billion, \$3.3 billion of assumed debt and \$1.9 billion of equity interests issued. These acquisitions were funded through the issuance of long-term debt, bank borrowings, capital contributions from our parent companies, the assumption of outstanding debt amounts, equity issuances to certain sellers and internally generated funds. In 2000, Charter Communications Holding Company transferred the cable systems it acquired in three of those acquisitions (Fanch, Falcon and Avalon) to Charter Holdings. All acquisitions were accounted for under the purchase method of accounting and results of operations were included in our consolidated financial statements from their respective dates of acquisition.

The following table sets forth information on our acquisitions in 1999 and 2000.

PURCHASE PRICE (IN MILLIONS)		REVENUES SINCE -	
-----		-----	
ACQUISITION DATE	ACQUISITION CASH ASSUMED SECURITIES TOTAL ACQUIRED	DATE PAID DEBT ISSUED PRICE	CUSTOMERS 1999 2000
-----	-----	-----	-----
----- (IN THOUSANDS)			
Renaissance.....	4/99 \$ 348 \$ 111 -- \$ 459		
	134,000 \$ 42,032 \$ 70,312		
	American		
Cable.....	5/99		
	240 -- -- 240 69,000 24,904		
	42,151 Greater Media		
Systems.....	6/99 500 --		
	-- 500 176,000 32,313 95,988		
Helicon.....	7/99 410 115 25(a) 550 171,000		
	35,658 89,872		
Vista.....	7/99 126 -- -- 126 26,000		
	5,751 14,253 Cable		
Satellite.....	8/99		
	22 -- -- 22 9,000 1,917 4,750		
Rifkin.....	9/99 1,200 128 133(b) 1,461		
	463,000 67,514 236,370		
InterMedia.....	10/99 873 -- -- 873(c) 278,000		
	54,850 229,489 -----		
	-----		
	----- Total -- 1999		
	Acquisitions.....		
	\$3,719 \$ 354 \$ 158 \$ 4,231		
	1,326,000 \$264,939 \$ 783,185		
Fanch.....	1/00 2,400 -- -- 2,400 535,600		
	32,281 266,031		
Falcon.....	1/00 1,250 1,700 550(d) 3,500		
	977,200 56,051 456,999		
Avalon.....	1/00 558 274 -- 832 270,800		
	13,929 124,068		
Interlake.....	1/00 13 -- -- 13 6,000 --		
	1,713		



```

Bresnan.....
2/00 1,100 963 1,015(e) 3,078
695,800 -- 297,080(g) Capital
Cable..... 4/00
60 -- -- 60 23,200 -- 7,513
Farmington.....
4/00 15 -- -- 15 5,700 --
1,571
Kalamazoo.....
9/00 -- -- 171(f) 171 50,700 -
- 7,360 -----
-----
----- Total -- 2000
Acquisitions.....
$5,396 $2,937 $1,736 $10,069
2,565,000 $102,261 $1,162,335
=====
=====
Total -- 1999 & 2000
Acquisitions.....
$9,115 $3,291 $1,894 $14,300
3,891,000 $367,200 $1,945,520
=====
=====
=====

```

- 
- (a) Purchase price component represents a preferred limited liability company interest in Charter-Helicon, LLC, an indirect wholly owned subsidiary.
  - (b) Purchase price component relates to equity in Charter Communications Holding Company.
  - (c) As part of this transaction, we agreed to "swap" some of our non-strategic cable systems serving customers in Indiana, Montana, Utah & Northern Kentucky. At the closing we retained a cable system located in Indiana for which we were unable to timely obtain necessary regulatory approvals of the system transfer. Such approval was subsequently obtained and the Indiana

system assets were transferred in March 2000. This transaction, including the transfer of the retained Indiana system, resulted in a net increase of 273,300 customers.

- (d) Purchase price component relates to common membership units in Charter Communications Holding Company issued to certain of the Falcon sellers.
- (e) Purchase price component is comprised of \$385 million in equity in Charter Communications Holding Company and \$630 million of equity in CC VIII.
- (f) In connection with this transaction, we acquired all of the outstanding stock of Cablevision of Michigan in exchange for 11,173,376 shares of Charter's Class A common stock.
- (g) Includes revenues of approximately \$0.6 million related to the cable systems acquired by Bresnan since December 31, 1999.

#### AT&T TRANSACTIONS

In February 2001, affiliates of Charter Holdings entered into several agreements with AT&T Broadband, LLC involving several strategic cable system transactions that would result in a net addition of customers for the Charter cable systems. These affiliates assigned the agreements to us and the AT&T transactions closed in June 2001. In the AT&T transactions, we acquired cable systems from AT&T Broadband serving approximately 554,000 customers in Missouri, Alabama, Nevada and California for a total of \$1.77 billion consisting of \$1.75 billion in cash and a Charter cable system valued at \$24 million.

#### OVERVIEW OF OPERATIONS

Approximately 87% of our revenues for the year ended December 31, 2000 are attributable to monthly subscription fees charged to customers for our basic, expanded basic, premium and digital cable television programming services, Internet access through television-based service, dial-up telephone modems and high-speed cable modem service, equipment rental and ancillary services provided by our cable systems. The remaining 13% of revenue is derived from installation and reconnection fees charged to customers to commence or reinstate service, pay-per-view programming, where users are charged a fee for individual programs requested, advertising revenues and commissions related to the sale of merchandise by home shopping services and franchise revenues. We have generated increased revenues in each of the past three years, primarily through customer growth from acquisitions, internal customer growth, basic and expanded tier rate increases and revenues from new services and products.

Our expenses primarily consist of operating costs, general and administrative expenses, depreciation and amortization expense, interest expense and management fees/corporate expense charges. Operating costs primarily include programming costs, cable service related expenses, marketing and advertising costs, franchise fees and expenses related to customer billings.

We have had a history of net losses and expect to continue to report net losses for the foreseeable future. The principal reasons for our prior and anticipated net losses include depreciation and amortization expenses associated with our acquisitions and capital expenditures related to construction and upgrading of our systems, and interest costs on borrowed money. We cannot predict what impact, if any, continued losses will have on our ability to finance our operations in the future.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

The following table sets forth the percentages of revenues that items in the statements of operations constitute for the indicated periods (dollars in millions):

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000		THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	AMOUNT	%		AMOUNT	%
STATEMENTS OF OPERATIONS:					
Revenues.....	\$ 873.8	100.0%	\$ 721.6	100.0%	
Operating expenses: Operating, general and administrative.....	472.1	54.0%	371.8	51.5%	
Depreciation and amortization.....	693.8	79.4%	546.1	75.7%	
Option compensation expense.....	6.0	0.7%	15.5	2.2%	
Corporate expenses.....	13.7	1.6%	12.5	1.7%	
Total operating expenses.....	1,185.6	135.7%	945.9	131.1%	
Loss from operations.....	(311.8)	(35.7)%	(224.3)	(31.1)%	
Interest expense.....	(298.6)	(34.2)%	(247.0)	(34.2)%	
Interest income.....	5.1	0.7%	5.1	0.7%	
Other income (expense).....	(59.0)	(6.8)%	0.1	0.1%	
Loss before minority interest.....	(669.4)	(76.7)%	(466.1)	(64.6)%	
Minority interest in loss of subsidiary.....	(3.2)	(0.4)%	(1.5)	(0.2)%	
Net loss.....	\$(467.6)	(64.8)%	\$(467.6)	(64.8)%	

REVENUES. Revenues increased by \$152.2 million, or 21%, from \$721.6 million for the three months ended March 31, 2000 to \$873.8 million for the three months ended March 31, 2001. System operations acquired after January 1, 2000 accounted for \$39.1 million, or 26%, of the increase, while systems acquired before January 1, 2000 accounted for \$113.1 million, or 74% of the increase. Revenues by service offering are as follows (dollars in millions):

	THREE MONTHS ENDED MARCH 31, 2001	%	THREE MONTHS ENDED MARCH 31, 2000	%
	AMOUNT	CHANGE	AMOUNT	CHANGE
Analog				
video.....	\$649.4	75%	\$587.5	82%
Digital	61.9	11%	55.0	6%
video.....	6%	9.2	1%	45.8
Cable modem.....	25.2	3%	9.7	1%
Advertising sales.....	55.6	6%	33.3	5%
Other.....	88.6	10%	81.9	11%
Total	\$873.8	100%	\$721.6	100%
Change	\$152.2	21%		

Analog video customers increased by 197,800 to 6,349,800 at March 31, 2001 as compared to 6,152,000 at March 31, 2000. Of this increase, approximately 72,700 customer additions were the result of acquisitions. The remaining increase of 125,100 customers relates to internal growth.

Digital video customers increased by 1,119,000 to 1,343,700 at March 31, 2001 from 224,700 at March 31, 2000. The increase was primarily due to internal growth which continues to increase as we upgrade our systems to provide advanced services to a larger customer base. Increased marketing efforts and strong demand for this service have also contributed to the increase.





months ended March 31, 2000 to 30.2% in 2001 due to the significant growth in customer base compared to the prior year. Advertising sales gross margin increased 9.5% due to our significant system upgrades, which resulted in expanded channel capacity.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense increased by \$147.7 million, from \$546.1 million for the three months ended March 31, 2000 to \$693.8 million for the three months ended March 31, 2001. This increase was due to a full quarter of expense on the fixed assets and franchises related to our 2000 acquisitions and an increase in capital expenditures of \$261.5 million to rebuild and upgrade our cable systems compared to first quarter 2000.

**OPTION COMPENSATION EXPENSE.** Option compensation expense decreased by \$9.5 million, from \$15.5 million for the three months ended March 31, 2000 to \$6.0 million for the three months ended March 31, 2001. The expense related to option grants at the time of our initial public offering at exercise prices less than the estimated fair value of our stock at the time of grant, resulting in compensation expense being accrued over the vesting period of the options. Expense will continue to be recorded at a decreasing rate until the last vesting period lapses in April 2004.

**CORPORATE EXPENSES.** Corporate expenses increased by \$1.2 million, from \$12.5 million for the three months ended March 31, 2000 to \$13.7 million for the three months ended March 31, 2001. The increase was the result of growth from acquisitions and internal growth.

**INTEREST EXPENSE.** Interest expense increased by \$51.6 million, from \$247.0 million for the three months ended March 31, 2000 to \$298.6 million for the three months ended March 31, 2001. The increase in interest expense was a result of increased average debt outstanding during the first quarter in 2001 of \$12.8 billion compared to \$9.9 billion in the first quarter of 2000, coupled with an increase in our average borrowing rate of 0.27% from 8.63% in the first quarter of 2000 to 8.90% in the first quarter of 2001. Our average borrowing rate increased primarily as a result of our issuance of the January 2001 Charter Holdings notes. The increased debt primarily relates to capital expenditures.

**INTEREST INCOME.** Interest income decreased by \$5.0 million, from \$5.1 million for the three months ended March 31, 2000 to \$0.1 million for the three months ended March 31, 2001. The decrease in interest income was due to lower cash on hand at March 31, 2001 over March 31, 2000 as a result of our continued capital expenditures to upgrade, rebuild, and expand our cable systems, to develop new products and services and to deploy digital converters.

**OTHER INCOME (EXPENSE).** Other expense fluctuated by \$59.1 million, from \$0.1 million of income for the three months ended March 31, 2000 to \$59.0 million of expense for the three months ended March 31, 2001. This decrease was due to a cumulative effect of a change in accounting principle of \$23.9 million related to our adoption of SFAS No. 133 on January 1, 2001, a current period loss of \$21.8 million on interest rate agreements also as a result of adoption of SFAS No. 133 and losses of \$12.8 million primarily on investments carried on the equity method.

**MINORITY INTEREST.** Minority interest expense represents the 2% accretion of the preferred membership units in our indirect subsidiary, CC VIII, LLC, issued to certain Bresnan sellers. These membership units are exchangeable on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.

**NET LOSS.** Net loss increased by \$205.0 million, from \$467.6 million for the three months ended March 31, 2000 to \$672.6 million for the three months ended March 31, 2001 as a result of the factors described above.





```

-----
Loss before income
taxes, minority
interest and
extraordinary item....
(17,222) (34.6)%
(5,277) (38.5)%
(639,884) (44.8)%
(2,036,521) (62.7)% ---
-----

```

```

----- Income
tax expense..... -- --
-- -- (1,030) (0.1)% --
-----

```

```

-----
Loss before minority
interest and
extraordinary item....
(17,222) (34.6)%
(5,277) (38.5)%
(640,914) (44.9)%
(2,036,521) (62.7)% ---
-----

```

```

----- Minority
interest
expense.....
-----
(11,038) (0.3)% -----
-----

```

```

----- Loss before
extraordinary item....
(17,222) (34.6)%
(5,277) (38.5)%
(640,914) (44.9)%
(2,047,559) (63.0)% ---
-----

```

```

-----
Extraordinary item --
loss on early
extinguishment of
debt.....
-- -- -- (7,794)
(0.5)% -- --
-----

```

```

----- Net
loss.....
$(17,222) (34.6)%
$(5,277) (38.5)% $
(648,708) (45.4)%
$(2,047,559) (63.0)%
=====
=====
=====

```

FISCAL 2000 COMPARED TO FISCAL 1999

REVENUES. Revenues increased by \$1,821.1 million, or 128%, from \$1,428.1 million in 1999 to \$3,249.2 million in 2000. System operations acquired after January 1, 1999 accounted for \$1,578.3 million, or 87% of the increase in 2000, while systems acquired before January 1, 1999 accounted for \$242.8 million, or 13%. Revenues by service offering are as follows (dollars in thousands):

2000	1999	2000 OVER	
1999			
-----			
	% OF	% OF	%
BALANCE	REVENUES	BALANCE	REVENUES
CHANGE	CHANGE	CHANGE	CHANGE
-----			
-----			
Basic.....			
\$2,249,339	69%		
\$1,002,954	70%		
\$1,246,385	124%		
Premium.....			
226,598	7%	124,788	9%
101,810	82%	Pay-per-	
view.....		28,590	
1%	27,537	2%	1,053
			4%
Digital.....			
91,115	3%	8,299	.5%
82,816	998%	Data	
services.....			
63,330	2%	10,107	.5%
53,223	527%		
Advertising			
sales.....		220,205	7%
71,997	5%	148,208	
		206%	
Other.....			
370,045	11%	182,408	
13%	187,637	103%	----
-----			
\$3,249,222	100%		
\$1,428,090	100%		
\$1,821,132	=====		
===	=====	===	
	=====		

In 2000, we added 898,300 basic customers from 5,452,600 to 6,350,900, of which approximately 741,100 was a result of acquisitions. The remaining 157,200 relates to internal growth, which is an increase of approximately 2.5% compared to the prior year on a pro forma basis.

Premium units increased by 2,094,700, from 2,844,400 to 4,939,100, of which approximately 300,100 was a result of acquisitions. The remaining increase of 1,794,600 is the result of aggressive marketing and pricing of premium products related to upgrades.

We added 943,300 digital customers, from 126,200 to 1,069,500. Of the total increase, approximately 29,200 was the result of acquisitions and 914,100 was the result of internal growth or upgrades. The pace of growth increased throughout the year as we upgraded our systems. We surpassed our expectations throughout the year, with an average of 17,500 digital installations per week during 2000 which increased to 40,000 digital installations per week in December 2000. Growth was a result of intense marketing efforts and strong demand for this service.

Data customers increased by 180,400, from 72,000 to 252,400, of which 12,400 was the result of acquisitions and 168,000 was the result of internal growth. Our system upgrades facilitated interactive capability necessary to offer high-speed interactive service. Growth in data services was also the result of strong marketing efforts coupled with increased demand for such services.

Advertising revenues increased \$148.2 million, from \$72.0 million to \$220.2 million, of which approximately \$101.8 million was the result of operations

acquired after January 1, 1999. In addition, as a result of our rebuild efforts, we experienced increased capacity due to expanded channel line-ups and thus, increased advertising. The significant level of political campaign advertising in 2000 also contributed to increased advertising revenues.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES. Operating, general and administrative expenses increased by \$913.0 million from \$738.0 million in 1999 to \$1,650.9 million in 2000. System operations acquired after January 1, 1999 accounted for \$813.8 million, or 89%, of the increase in



\$471.9 million in 1999 to \$1,065.2 million in 2000. The increase in interest expense was a result of increased average debt

outstanding in 2000 of \$12,281.2 million compared to \$7,108.5 million in 1999, coupled with an increase in our average borrowing rate of .66%, from 8.36% in 1999 to 9.02% in 2000. The increased debt was used for acquisitions, capital expenditures and for other corporate purposes.

**INTEREST INCOME.** Interest income decreased by \$12.1 million, from \$18.8 million in 1999 to \$6.7 million in 2000. The decrease in interest income was a result of lower cash on hand in 2000 due to required credit facility draw downs in 1999 which were not required in 2000.

**LOSS ON EQUITY INVESTMENTS.** The loss in 2000 was primarily due to losses of \$7.0 million on investments carried under the equity method of accounting and other than temporary losses of \$4.7 million on investments carried under the cost method partially offset by realized gains of \$.7 million on sales of marketable securities.

**MINORITY INTEREST EXPENSE.** Minority interest expense represents the 2% accretion of the preferred membership units in our indirect subsidiary, CC VIII, LLC, issued to certain Bresnan sellers. These membership units are exchangeable on a one-for-one basis for shares of Class A common stock of Charter Communications, Inc.

**NET LOSS.** Net loss increased by \$1,398.9 million, from \$648.7 million in 1999 to \$2,047.6 million in 2000 as a result of the combination of factors discussed above.

#### FISCAL 1999 COMPARED TO PERIOD FROM JANUARY 1, 1998 THROUGH DECEMBER 23, 1998

**REVENUES.** Revenues increased by \$1,378.4 million, from \$49.7 million for the period from January 1, 1998 through December 23, 1998 to \$1,428.1 million in 1999. The increase in revenues primarily resulted from the acquisitions of CCA Group and CharterComm Holdings, Marcus Holdings and 1999 acquisitions. Additional revenues from these entities included for the year ended December 31, 1999 were \$618.8 million, \$386.7 million and \$350.1 million, respectively.

**OPERATING, GENERAL AND ADMINISTRATIVE COSTS.** Operating, general and administrative costs increased by \$712 million, from \$26.0 million for the period from January 1, 1998 through December 23, 1998 to \$738.0 million in 1999. This increase was due primarily to the acquisition of the CCA Group and CharterComm Holdings, Marcus Holdings and 1999 acquisitions. Additional operating, general and administrative expenses from these entities included for the year ended December 31, 1999 were \$338.5 million, \$209.3 million and \$158.8 million, respectively.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense increased by \$728.5 million, from \$16.9 million, for the period from January 1, 1998 through December 23, 1998 to \$745.3 million in 1999. There was a significant increase in amortization expense resulting from the acquisitions of the CCA Group and CharterComm Holdings, Marcus Holdings and 1999 acquisitions. Additional depreciation and amortization expense from these entities included for the year ended December 31, 1999 were \$346.3 million, \$203.5 million and \$195.1 million, respectively. The increases were offset by the elimination of depreciation and amortization expense related to disposition of cable systems.

**OPTION COMPENSATION EXPENSE.** Option compensation expense in 1999 was \$80.0 million due to the granting of options to employees in December 1998, February 1999 and April 1999. The exercise prices of the options on the date of grant were less than the estimated fair values of the underlying membership units, resulting in compensation expense accrued over the vesting period of each grant that varies from four to five years.

**MANAGEMENT FEES/CORPORATE EXPENSE CHARGES.** Management fees/corporate expense charges increased by \$45.3 million, from \$6.2 million, for the period from January 1, 1998 through December 23, 1998 to \$51.4 million in 1999. The increase in 1998 compared to 1999 was the result

of the acquisitions of CCA Group and CharterComm Holdings, Marcus Holdings and 1999 acquisitions.

**INTEREST INCOME.** Interest income increased by \$18.8 million, from \$0.04 million for the period from January 1, 1998 through December 23, 1998 to \$18.8 million in 1999. The increase was primarily due to investing excess cash that resulted from required credit facilities drawdowns, the initial public offering and the sale of the March 1999 Charter Holdings notes.

**INTEREST EXPENSE.** Interest expense increased by \$454.6 million, from \$17.3 million for the period from January 1, 1998 through December 23, 1998 to \$471.9 million in 1999. This increase resulted primarily from interest on the notes and credit facilities used to finance the acquisitions of CCA Group and CharterComm Holdings, Marcus Holdings and 1999 acquisitions.

**NET LOSS.** Net loss increased by \$631.5 million, from \$17.2 million for the period from January 1, 1998 through December 23, 1998 to \$648.7 million in 1999. The increase in revenues that resulted from the acquisitions of CCA Group, CharterComm Holdings and Marcus Holdings was not sufficient to offset the operating expenses associated with the acquired systems.

#### LIQUIDITY AND CAPITAL RESOURCES

Our business requires significant cash to fund acquisitions, capital expenditures, debt service costs and ongoing operations. We have historically funded and expect to fund future liquidity and capital requirements through cash flows from operations, borrowings under our credit facilities and debt and equity transactions. Our cash flows from operating activities were \$1.1 billion, \$460.4 million and \$7.6 million in 2000, 1999 and 1998, respectively. As of March 31, 2001, we had availability of \$2.2 billion under our bank credit facilities. In recent years, we have incurred significant debt to fund our capital expenditures and growth through acquisition. Our significant amount of debt may adversely affect our ability to obtain financing in the future and react to changes in our business. We may incur substantial additional debt in the future. Our credit facilities and other debt instruments contain various financial and operating covenants that could adversely impact our ability to operate our business, including restrictions on the ability of our operating subsidiaries to distribute cash to their parents. See "-- Certain Trends and Uncertainties -- Restrictive Covenants" for further information.

#### CAPITAL EXPENDITURES

We have substantial ongoing capital expenditure requirements. We make capital expenditures primarily to upgrade, rebuild and expand our cable systems, as well as for system maintenance, the development of new products and services, and set-top terminals.

Upgrading our cable systems will enable us to offer new products and services, including digital television, additional channels and tiers, expanded pay-per-view options, high-speed Internet access, video-on-demand, telephony and interactive services.

We made capital expenditures, excluding acquisitions of cable systems, of \$2.78 billion and \$741.5 million for the years ended December 31, 2000 and 1999, respectively. The majority of these capital expenditures in 2000 relate to our accelerated rebuild and upgrade program and purchases of converters and were funded from cash flows from operations and borrowings under credit facilities. We made capital expenditures, excluding acquisitions of cable systems of \$521.4 million and \$259.9 million for the three months ended March 31, 2001 and 2000, respectively.

Excluding the systems acquired in the AT&T transactions, for 2001, 2002 and 2003, we expect to spend a total of approximately \$2.9 billion, \$1.8 billion and \$1.1 billion, respectively, to upgrade and rebuild our systems in order to offer advanced services to our customers. In addition, we anticipate rebuild costs associated with the systems acquired in the AT&T transactions to total

approximately \$350.0 million, \$150.0 million of which we expect to spend in 2001. In 2001, our capital expenditures will include extensions of systems, development of new products and services, purchases of converters, system improvements and the build-out of six new advanced customer call centers in 2001. The amount that we spend on these types of capital expenditures will depend on the level of our growth in digital cable customers and in the delivery of other advanced services. We currently anticipate that we will have sufficient capital to fund our capital expenditures through 2003. If there is accelerated growth in digital cable customers or in the delivery of other advanced services however, we may need additional capital. If we are not able to obtain such capital it could adversely affect our ability to offer new products and services and compete effectively, and could adversely affect our growth, financial condition and results of operations. See "-- Certain Trends and Uncertainties" for further information.

RECENT INVESTING ACTIVITIES

HIGH SPEED ACCESS CORP. In December 2000, Vulcan Ventures, Inc., an entity controlled by Mr. Allen, and Charter Communications Ventures, LLC, our subsidiary, invested \$38.0 million and \$37.0 million, respectively, in exchange for 38,000 shares and 37,000 shares, respectively, of senior convertible preferred stock of High Speed Access. The preferred stock has a liquidation preference of \$1,000 per share, in general, shares in dividends on High Speed Access common stock on an "as converted to common stock" basis and is convertible into common stock of High Speed Access at a conversion rate of \$5.01875 per share of High Speed Access common stock, subject to certain adjustments. Vulcan Ventures and Charter Ventures were granted certain preemptive, first refusal, registration and significant board representation rights as part of the transaction.

On July 31, 2001, Charter Communications, Inc. extended an offer to High Speed Access Corp. to purchase the contracts and associated assets of High Speed Access that serve our customers. The offer has not been accepted by High Speed Access Corp. and is subject to a number of conditions, including approval by the boards of directors of Charter Communications, Inc. and High Speed Access Corp., approval by the stockholders of High Speed Access Corp., third party consents, satisfactory completion of due diligence and negotiation of definitive agreements. See "Certain Relationships and Related Transactions -- Business Relationships."

FINANCING ACTIVITIES

As of March 31, 2001, our total debt was approximately \$13.0 billion. Summarized below (dollars in thousands) is our actual debt outstanding at March 31, 2001 and our total debt, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price:

ACTUAL PRO FORMA BALANCE	
AT BALANCE AT MARCH 31,	
MARCH 31, 2001 2001 -----	
----- - ----- LONG-	
TERM DEBT Charter	
Holdings: 8.250% senior	
notes due	
2007.....	
\$ 600,000 \$ 600,000	



ACTUAL PRO FORMA BALANCE AT	BALANCE AT	MARCH
31, MARCH 31, 2001	2001	-----
-----	8.625% senior discount notes due	
2009.....	1,500,000	1,500,000
	9.920% senior notes due	
2011.....	1,475,000	
	1,475,000 10.00% senior notes due	
2009.....	675,000	675,000
	10.25% senior notes due	
2010.....	325,000	325,000
	11.75% senior discount notes due	
2010.....	532,000	532,000
	10.750% senior notes due	
2009.....	900,000	900,000
	11.125% senior notes due	
2011.....	500,000	500,000
	13.500% senior discount notes due	
2011.....	675,000	675,000
	9.625% senior notes due	
2009.....	350,000	350,000
	10.000% senior notes due	
2011.....	575,000	
	11.750% senior discount notes due	
2011.....	1,018,000	
	Renaissance: 10.00% senior discount notes due	
2008.....	114,413	114,413
	CC V Holdings -- Avalon: 11.875% senior discount	
notes due 2006.....	179,750	179,750
	Other long-term	
debt.....	1,416	
	1,416 CREDIT FACILITIES Charter	
Operating.....	3,815,000	3,450,000
	CC VI --	
Fanch.....	901,000	850,000
	CC VII --	
Falcon.....	698,750	488,750
	CC VIII --	
Bresnan.....	1,005,000	1,000,000
	-----	-----
	- 13,897,329	15,209,329
	Unamortized	
discount.....		
(939,982)	(1,382,386)	-----
---	\$12,957,347	\$13,826,943
	=====	

MARCH 1999 CHARTER HOLDINGS NOTES. In March 1999, Charter Holdings and Charter Capital issued \$3.6 billion principal amount of senior notes. The March 1999 Charter Holdings notes consisted of \$600.0 million in aggregate principal amount of 8.250% senior notes due 2007, \$1.5 billion in aggregate principal amount of 8.625% senior notes due 2009, and \$1.475 billion in aggregate principal amount at maturity of 9.920% senior discount notes due 2011. The net proceeds of approximately \$2.9 billion, combined with the borrowings under our credit facilities, were used to consummate tender offers for publicly held debt of several of our subsidiaries, as described below, to refinance borrowings under our previous credit facilities, for working capital purposes and to finance a number of acquisitions.

As of March 31, 2001, a total of \$2.1 billion was outstanding under the 8.250% notes and the 8.625% notes, and the accreted value of the outstanding 9.920% notes was \$1.1 billion.

JANUARY 2000 CHARTER HOLDINGS NOTES. In January 2000, Charter Holdings and Charter Capital issued \$1.5 billion principal amount of senior notes. The January 2000 Charter Holdings notes consisted of \$675.0 million in aggregate principal amount of 10.00% senior notes due 2009, \$325.0

million in aggregate principal amount of 10.25% senior notes due 2010, and \$532.0 million in aggregate principal amount at maturity of 11.75% senior discount notes due 2010. The net proceeds of approximately \$1.25 billion were used to consummate change of control offers for certain of the Falcon, Avalon and Bresnan notes and debentures.

As of March 31, 2001, \$1.0 billion of the January 2000 Charter Holdings 10.00% and 10.25% senior notes were outstanding, and the accreted value of the 11.75% senior discount notes was approximately \$345.3 million.

**JANUARY 2001 CHARTER HOLDINGS NOTES.** In January 2001, Charter Holdings and Charter Capital issued \$1.75 billion in aggregate principal amount of senior notes. The January 2001 Charter Holdings notes consisted of \$900.0 million in aggregate principal amount of 10.750% senior notes due 2009, \$500.0 million in aggregate principal amount of 11.125% senior notes due 2011 and \$675.0 million in aggregate principal amount at maturity of 13.500% senior discount notes due 2011. The net proceeds of approximately \$1.72 billion were used to repay all remaining amounts then outstanding under the Charter Holdings 2000 senior bridge loan facility and the CC VI (Fanch) revolving credit facility and a portion of the amounts then outstanding under the Charter Operating and CC VII (Falcon) revolving credit facilities and for general corporate purposes. As of March 31, 2001, \$1.4 billion of the January 2001 Charter Holdings 10.750% and 11.125% senior notes were outstanding, and the accreted value of the 13.500% senior discount notes was approximately \$361.3 million.

**CHARTER OPERATING CREDIT FACILITIES.** The Charter Operating credit facilities provide for two term facilities, one with a principal amount of \$1.0 billion that matures in September 2007 (Term A), and the other with a principal amount of \$2.45 billion that matures in March 2008 (Term B). The Charter Operating credit facilities also provide for a \$1.25 billion revolving credit facility with a maturity date in September 2007 and, at the option of the lenders, supplemental credit facilities in the amount of \$400.0 million available until March 18, 2002. Amounts under the Charter Operating credit facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% (8.39% to 9.27% as of December 31, 2000). A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of Term A and the revolving credit facility.

As of March 31, 2001, outstanding borrowings were approximately \$3.8 billion, and the unused availability was \$885.0 million. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been \$3.5 billion and the unused availability would have been \$1.25 billion.

**RENAISSANCE NOTES.** In connection with the acquisition of Renaissance in April 1999, we assumed \$163.2 million principal amount at maturity of 10% senior discount notes due 2008. The Renaissance notes do not require the payment of interest until April 15, 2003. From and after April 15, 2003, the Renaissance notes bear interest, payable semi-annually in cash, on April 15 and October 15, commencing on October 15, 2003. The Renaissance notes are due on April 15, 2008.

In May 1999, \$48.8 million aggregate face amount of the Renaissance notes was repurchased at 101% of the accreted value plus accrued and unpaid interest. As of March 31, 2001, \$114.4 million of the Renaissance notes were outstanding, and the accreted value was approximately \$96.7 million.

FALCON DEBENTURES. Charter Communications Holding Company acquired Falcon in November 1999 and assumed Falcon's outstanding \$375.0 million in principal amount of 8.375% senior debentures due 2010 and 9.285% senior discount debentures due 2010 with an accreted value of approximately \$319.1 million as of the acquisition date. Falcon was transferred to Charter Holdings in January 2000.

In February 2000, through change of control offers and purchases in the open market, all of the Falcon 8.375% senior debentures with a principal amount of \$375.0 million were repurchased for \$388.0 million, and all of the Falcon 9.285% senior discount debentures with an aggregate principal amount at maturity of \$435.3 million were repurchased for \$328.1 million.

CC VII (FALCON) CREDIT FACILITIES. In connection with the Falcon acquisition, the previous Falcon credit facilities were amended to provide for two term facilities, one with a principal amount of \$196.0 million that matures June 2007 (Term B), and the other with the principal amount of \$294.0 million that matures December 2007 (Term C). The CC VII (Falcon) credit facilities also provide for a \$646.0 million revolving credit facility with a maturity date in December 2006 and, at the option of the lenders, supplemental credit facilities in the amount of up to \$700.0 million with a maturity date in December 2007. Amounts under the CC VII (Falcon) credit facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.5% (8.14% to 9.50% as of December 31, 2000). A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance.

As of March 31, 2001, outstanding borrowings were \$698.8 million and unused availability was \$547.2 million. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been \$488.8 million and the unused availability would have been \$757.3 million.

AVALON CREDIT FACILITIES. In December 2000, two of our subsidiaries, Bresnan and Avalon, were merged. Upon completion of the Bresnan/Avalon Combination in January 2001, all amounts outstanding under the Avalon credit facilities were repaid and the Avalon credit facilities were terminated. The Bresnan credit facilities were amended and restated to, among other things, increase borrowing availability by \$550.0 million.

AVALON NOTES. Charter Communications Holding Company acquired Avalon in November 1999 and assumed Avalon's outstanding 11.875% senior discount notes due 2008 with an accreted value of \$123.3 million and \$150.0 million in principal amount of 9.375% senior subordinated notes due 2008. Avalon was transferred to us in January 2000. After December 1, 2003, cash interest on the Avalon 11.875% notes will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004.

In January 2000, we completed change of control offers in which we repurchased \$16.3 million aggregate principal amount at maturity of the 11.875% notes at a purchase price of 101% of accreted value as of January 28, 2000, for \$10.5 million. As of March 31, 2001, Avalon 11.875% notes with an aggregate principal amount of \$179.8 million at maturity remained outstanding with an accreted value of \$135.2 million.

At the same time, through change of control offers and purchases in the open market, we repurchased all of the \$150.0 million aggregate principal amount of the Avalon 9.375% notes. The

aggregate repurchase price was \$153.7 million and was funded with the proceeds from the sale of the January 2000 Charter Holdings notes.

CC VI (FANCH) CREDIT FACILITIES. The CC VI (Fanch) credit facilities provide for two term facilities, one with a principal amount of \$450.0 million that matures May 2008 (Term A), and the other with a principal amount of \$400.0 million that matures November 2008 (Term B). The CC VI (Fanch) credit facilities also provide for a \$350.0 million revolving credit facility with a maturity date in May 2008 and, at the option of the lenders, supplemental credit facilities in the amount of \$300.0 million available until December 31, 2004. Amounts under the CC VI (Fanch) credit facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 3.0% (8.15% to 9.55% as of December 31, 2000). A quarterly commitment fee of between 0.250% and 0.375% per annum is payable on the unborrowed balance. \$850.0 million of the credit facilities were used to fund a portion of the Fanch purchase price.

As of March 31, 2001, outstanding borrowings were \$901.0 million, and unused availability was \$299.0 million. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been \$850.0 million and the unused availability would have been \$350.0 million. However, debt covenants limit the amount that can be borrowed to \$122.3 million at March 31, 2001.

BRESNAN NOTES. We acquired Bresnan in February 2000 and assumed Bresnan's outstanding \$170.0 million in principal amount of 8% senior notes due 2009 and \$275.0 million in principal amount at maturity of 9.25% senior discount notes due 2009 with an accreted value of \$192.2 million. In March 2000, we repurchased all of the outstanding Bresnan notes at purchase prices of 101% of the outstanding principal amounts plus accrued and unpaid interest or accreted value, as applicable, for a total of \$369.7 million, using proceeds from the sale of the January 2000 Charter Holdings notes.

CC VIII (BRESNAN) CREDIT FACILITIES. Upon the completion of the Bresnan/Avalon combination in January 2001, the CC VIII (Bresnan) credit facilities were amended and restated to, among other things, increase borrowing availability by \$555.0 million. As amended, the CC VIII (Bresnan) credit facilities provide for borrowings of up to \$1.45 billion. The CC VIII (Bresnan) credit facilities provide for two term facilities, one with a principal amount of \$500.0 million (Term A), and the other with a principal amount of \$500.0 million (Term B). The CC VIII (Bresnan) credit facilities also provide for a \$450.0 million revolving credit facility with a maturity date in June 2007 and, at the option of lenders, supplemental facilities in the amount of \$500.0 million. Amounts under the CC VIII (Bresnan) credit facilities bear interest at the Base Rate or the Eurodollar Rate, as defined, plus a margin of up to 2.75%. A quarterly commitment fee of between 0.250% and 0.375% is payable on the unborrowed balance of Term A and the revolving credit facility. At the closing of the Bresnan acquisition, we borrowed approximately \$599.9 million to replace the borrowings outstanding under the previous credit facilities and an additional \$30.0 million to fund a portion of the Bresnan purchase price. As of March 31, 2001, outstanding borrowings were \$1.0 billion and unused availability was \$445.0 million. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional

shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been \$1.0 billion and the unused availability would have been \$450.0 million.

CHARTER HOLDINGS 2000 SENIOR BRIDGE LOAN FACILITY. On August 4, 2000, Charter Holdings and Charter Capital entered into a senior bridge loan agreement providing for senior increasing rate bridge loans in an aggregate principal amount of up to \$1.0 billion.

On August 14, 2000, Charter Holdings borrowed \$1.0 billion under the senior bridge loan facility and used substantially all of the proceeds to repay a portion of the amounts outstanding under the Charter Operating and the CC VII (Falcon) revolving credit facilities. The bridge loan initially bore interest at an annual rate of 10.21%. For amounts not repaid by November 14, 2000, the interest rate increased by 1.25% at such date.

The net proceeds, totaling \$727.5 million, from the sales in October and November 2000 of Charter Communications, Inc.'s convertible senior notes were contributed as equity to Charter Holdings. We used all of the net proceeds therefrom to repay \$727.5 million of the amount outstanding under the Charter Holdings 2000 senior bridge loan facility. As of January 5, 2001, the remaining balance of \$272.5 million on the senior bridge loan facility was paid down with the proceeds from the sale of the Charter Holdings January 2001 notes.

#### OUTLOOK

We believe we are uniquely positioned in the forefront of our industry going into 2001. In 2001, we will continue to aggressively roll out our advanced services, focusing on digital cable and high speed data. The effect of the AT&T transactions is not included in this Outlook discussion.

With "same store" systems running smoothly and major 1999 and 2000 acquisitions successfully integrated, we expect 2001 revenue growth of 14% to 16% and operating cash flow growth after corporate overhead expense of 12% to 14%. Basic customer growth is expected to exceed 2% in 2001, consistent with 2000 growth. Digital revenues are expected to increase dramatically from 1.07 million customers at December 31, 2000 to 2 million customers by the end of 2001. In addition, we expect VOD to be available to approximately 2.2 million homes passed by the end of the year. Telephony initiatives will continue to be tested and developed during 2001 with targeted market entry in 2002 or 2003. Furthermore, we will continue our focus on interactive TV, with trials currently in process and expected launches in several markets beginning in 2001. Our advanced technology team is working on DVR capability in advanced digital set-top terminals and wireless home networking. Set-top terminals with built-in DVR functionality should be available to our digital customers in 2001.

Operating expenses are expected to increase 18% to 19% in 2001, driven primarily by increased digital and data sales, as well as higher programming and general and administrative costs. Programming costs are expected to increase approximately 25%. The year over year increase on a per channel basis is expected to be approximately 12% to 13%. Sports programming is the largest portion of the expected increase. The remainder of the increase is due to digital and basic customer growth, new channel launches and higher premium rates. The primary drivers for increased general and administrative costs are higher property taxes of approximately \$22 million, resulting from the network upgrades and approximately \$11 million of expenses associated with new customer call centers.

We will continue to evaluate strategic acquisitions and "swaps" of cable systems in order to enlarge the coverage of our current areas of operations. This approach will allow us to generate higher growth in revenues and operating cash flow.

Customer care will remain a priority at Charter. We plan to build six new customer contact centers in 2001 with capital expenditures of \$66 million in 2001. These new centers will serve our customer base with state-of-the-art technology to further improve customer satisfaction. Eventually, each of our twelve regions will have its own customer contact center.

We will continue our system rebuilds and upgrades so that our customers have access to the latest advanced service technology. We will aggressively evaluate funding opportunities, including bank, equity or high-yield financing, to meet the needs of our future growth plans, including future strategic acquisitions.

Achieving the anticipated growth and increases specified in this Outlook section is subject to many factors, some of which are outside our control. Among those factors are those specified in "-- Certain Trends and Uncertainties" and in "Risk Factors." We refer you to these sections, as well as to "Forward-Looking Statements."

#### CERTAIN TRENDS AND UNCERTAINTIES

The following discussion highlights a number of trends and uncertainties, in addition to those discussed elsewhere in this memorandum, that could materially impact our business, results of operations and financial condition.

**SUBSTANTIAL LEVERAGE.** As of March 31, 2001, our total debt was approximately \$13.0 billion. We may incur additional debt in the future to fund any future acquisitions and the expansion, maintenance and upgrade of our cable systems. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the issuance of additional equity to Charter Communications Holding Company in exchange for the net proceeds received from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the purchase price, our total debt would have been approximately \$13.8 billion.

Our ability to make payments on our debt and fund our ongoing operations will depend on our ability to generate cash flow from operations in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our existing credit facilities, new facilities or from other sources of financing at acceptable rates or in an amount sufficient to enable us to repay our debt, to grow our business or to fund our other liquidity and capital needs.

**VARIABLE INTEREST RATES.** At March 31, 2001, approximately 50.0% of our debt bears interest at variable rates that are linked to short-term interest rates. In addition, a significant portion of our existing debt, assumed debt or debt we might arrange in the future will bear interest at variable rates. If interest rates rise, our costs relative to those obligations will also rise. At March 31, 2001, our weighted-average rate on outstanding bank commitments was approximately 7.43% and approximately 10% on high-yield debt, resulting in a blended weighted-average rate of 8.75%. See "-- Interest Rate Risk."

RESTRICTIVE COVENANTS. Our credit facilities and the indentures governing our outstanding debt contain a number of significant covenants that, among other things, restrict our ability and the ability of our subsidiaries to:

- pay dividends or make other distributions;
- make certain investments or acquisitions;
- dispose of assets or merge;
- incur additional debt;
- issue equity;
- repurchase or redeem equity interests and debt;
- create liens; and
- pledge assets.

Furthermore, in accordance with our credit facilities we are required to maintain specified financial ratios and meet financial tests. The ability to comply with these provisions may be affected by events beyond our control. The breach of any of these covenants will result in a default under the applicable debt agreement or instrument, which could trigger acceleration of the debt. Any default under our credit facilities or the indentures governing our outstanding debt may adversely affect our growth, our financial condition, and our results of operations and the ability to repay amounts due under our publicly held debt.

NEW SERVICES AND PRODUCTS GROWTH STRATEGY. We expect that a substantial portion of any of our future growth will be achieved through revenues from additional services. We cannot be assured that we will be able to offer new advanced services successfully to our customers or that those new advanced services will generate revenues. The amount of our capital expenditures and related roll-out of advanced services may be limited by the availability of certain equipment (in particular, digital set-top terminals and cable modems) due to production capacity constraints of certain vendors and/or materials shortages. We continue to work with our primary vendors to address such problems and have been assured that we will have an adequate supply to meet our demand. If we are unable to grow our cash flow sufficiently, we may be unable to fulfill our obligations or obtain alternative financing.

MANAGEMENT OF GROWTH. We have experienced rapid growth that has placed and is expected to continue to place a significant strain on our management, operations and other resources. Our future success will depend in part on our ability to successfully integrate the operations acquired and to be acquired and to attract and retain qualified personnel. No significant severance cost was incurred in conjunction with acquisitions in 1999 and 2000. The failure to retain or obtain needed personnel or to implement management, operating or financial systems necessary to successfully integrate acquired operations or otherwise manage growth when and as needed could have a material adverse effect on our business, results of operations and financial condition.

REGULATION AND LEGISLATION. Cable systems are extensively regulated at the federal, state, and local level. Effective March 31, 1999, the scope of rate regulation was reduced so that it continues to impact only the lowest level of basic cable service and associated equipment. This change affords cable operators much greater pricing flexibility, although Congress could revisit this issue if confronted with substantial rate increases.

Cable operators also face significant regulation of their channel capacity. They currently can be required to devote substantial capacity to the carriage of programming that they would not carry voluntarily, including certain local broadcast signals, local public, educational and government access

programming, and unaffiliated commercial leased access programming. This carriage burden could increase in the future, particularly if the Federal Communications Commission (FCC) were to require cable systems to carry both the analog and digital versions of local broadcast signals. The FCC is currently conducting a proceeding in which it is considering this channel usage possibility, although it recently issued a tentative decision against such dual carriage.

There is also uncertainty whether local franchising authorities, state regulators, the FCC, or the U.S. Congress will impose obligations on cable operators to provide unaffiliated Internet service providers with access to cable plant on non-discriminatory terms. If they were to do so, and the obligations were found to be lawful, it could complicate our operations in general, and our Internet operations in particular, from a technical and marketing standpoint. These access obligations could adversely impact our profitability and discourage system upgrades and the introduction of new products and services. Recently, two federal circuit courts struck down as unlawful open-access requirements imposed by different franchising authorities. In response to the first such ruling, the FCC initiated a proceeding to categorize cable-delivered Internet service and perhaps establish an appropriate regulatory scheme. Company-specific open access requirements were imposed on Time Warner cable systems in connection with the AOL merger.

Although cable system attachments to public utility poles historically have been regulated at the federal or state level, the provision of non-traditional cable services, like the provision of Internet access, may endanger that regulatory protection. The Eleventh Circuit Court of Appeals recently ruled such services left cable attachments ineligible for regulatory protection, and certain utilities already have proposed vastly higher put attachment rates. The Eleventh Circuit decision is now scheduled to be reviewed by the United States Supreme Court.

#### INTEREST RATE RISK

The use of interest rate risk management instruments, such as interest rate exchange agreements, interest rate cap agreements and interest rate collar agreements, is required under the terms of the credit facilities of our subsidiaries. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate cap agreements are used to lock in a maximum interest rate should variable rates rise, but enable us to otherwise pay lower market rates. Collars limit our exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

Our participation in interest rate hedging transactions involves instruments that have a close correlation with our debt, thereby managing our risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes.

At March 31, 2001, we had outstanding \$1.9 billion, \$15.0 million and \$520.0 million in notional amounts of interest rate swaps, caps and collars, respectively.

The notional amounts of interest rate instruments are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. While swaps, caps and collars represent an integral part of our interest rate risk management program, their incremental effect on interest expense for the three months ended March 31, 2001 and 2000, was not significant.

The fair value of fixed-rate debt at March 31, 2001, was \$5.8 billion. The fair value of fixed-rate debt is based on quoted market prices. The fair value of variable-rate debt approximates the carrying value of \$6.4 billion at March 31, 2001, since this debt bears interest at current market rates.



## THE EXCHANGE OFFER

## TERMS OF THE EXCHANGE OFFER

## GENERAL

We sold the original notes on May 15, 2001 in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended. The initial purchasers of the notes subsequently resold the original notes to qualified institutional buyers in reliance on Rule 144A and under Regulation S under the Securities Act.

In connection with the sale of original notes to the initial purchasers pursuant to the Purchase Agreement, dated May 15, 2001, among us and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., and RBC Dominion Securities Corporation, the holders of the original notes became entitled to the benefits of the exchange and registration rights agreements dated May 15, 2001, among us and the initial purchasers.

Under the registration rights agreements, the issuers became obligated to file a registration statement in connection with an exchange offer within 120 days after May 15, 2001 and to use their reasonable best efforts to have the exchange offer registration statement declared effective within 180 days after May 15, 2001. The exchange offer being made by this prospectus, if consummated within the required time periods, will satisfy our obligations under the registration rights agreements. This prospectus, together with the letter of transmittal, is being sent to all beneficial holders of original notes known to the issuers.

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, the issuers will accept all original notes properly tendered and not withdrawn prior to the expiration date. The issuers will issue \$1,000 principal amount of new notes in exchange for each \$1,000 principal amount of outstanding original notes accepted in the exchange offer. Holders may tender some or all of their original notes pursuant to the exchange offer.

Based on no-action letters issued by the staff of the Securities and Exchange Commission to third parties we believe that holders of the new notes issued in exchange for original notes may offer for resale, resell and otherwise transfer the new notes, other than any holder that is an affiliate of ours within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act. This is true as long as the new notes are acquired in the ordinary course of the holder's business, the holder has no arrangement or understanding with any person to participate in the distribution of the new notes and neither the holder nor any other person is engaging in or intends to engage in a distribution of the new notes. A broker-dealer that acquired original notes directly from the issuers cannot exchange the original notes in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the new notes cannot rely on the no-action letters of the staff of the Securities and Exchange Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account in exchange for original notes, where original notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See "Plan of Distribution" for additional information.

We shall be deemed to have accepted validly tendered original notes when, as and if we have given oral or written notice of the acceptance of such notes to the exchange agent. The exchange agent will act as agent for the tendering holders of original notes for the purposes of receiving the new notes from the issuers and delivering new notes to such holders.

If any tendered original notes are not accepted for exchange because of an invalid tender or the occurrence of the conditions set forth under "-- Conditions" without waiver by us, certificates for any such unaccepted original notes will be returned, without expense, to the tendering holder of any such original notes as promptly as practicable after the expiration date.

Holders of original notes who tender in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of original notes, pursuant to the exchange offer. We will pay all charges and expenses, other than certain applicable taxes in connection with the exchange offer. See "-- Fees and Expenses."

#### SHELF REGISTRATION STATEMENT

Pursuant to the registration rights agreements, if the exchange offer is not completed prior to the date on which the earliest of any of the following events occurs:

(a) applicable interpretations of the staff of the Securities and Exchange Commission do not permit us to effect the exchange offer,

(b) any holder of notes notifies us that either:

(1) such holder is not eligible to participate in the exchange offer, or

(2) such holder participates in the exchange offer and does not receive freely transferable new notes in exchange for tendered original notes, or

(c) the exchange offer is not completed within 210 days after May 15, 2001,

we will, at our cost:

- file a shelf registration statement covering resales of the original notes,
- use our reasonable best efforts to cause the shelf registration statement to be declared effective under the Securities Act at the earliest possible time, but no later than 90 days after the time such obligation to file arises, and
- use our reasonable best efforts to keep effective the shelf registration statement until the earlier of two years after the date as of which the Securities and Exchange Commission declares such shelf registration statement effective or the shelf registration otherwise becomes effective, or the time when all of the applicable original notes are no longer outstanding.

If any of the events described occurs, we will refuse to accept any original notes and will return all tendered original notes.

We will, if and when we file the shelf registration statement, provide to each holder of the original notes copies of the prospectus which is a part of the shelf registration statement, notify each holder when the shelf registration statement has become effective and take other actions as are required to permit unrestricted resales of the original notes. A holder that sells original notes pursuant to the shelf registration statement generally must be named as a selling security-holder in the related prospectus and must deliver a prospectus to purchasers, a seller will be subject to civil liability provisions under the Securities Act in connection with these sales. A seller of the original notes also will be bound by applicable provisions of the registration rights agreements, including indemnification obligations. In addition, each holder of original notes must deliver information to be used in connection with the shelf registration statement and provide comments on the shelf registration statement in order to have its original notes included in the shelf registration statement and benefit from the provisions regarding any liquidated damages in the registration rights agreement.

## INCREASE IN INTEREST RATE

If:

(1) the registration statement, of which this prospectus is a part, has not been declared effective by the Securities and Exchange Commission within 180 days of the issuance of the original notes, and we have not used or are not continuing to use our reasonable best efforts to cause the registration statement to become effective, or

(2) the exchange offer has not been completed within 30 business days after the initial effective date of the exchange offer registration statement, or

(3) the exchange offer registration statement is either withdrawn by us or subject to an effective stop order without being followed immediately by an additional registration statement filed and declared effective, or

(4) we are required to file the shelf registration statement and either

(a) the shelf registration statement has not become effective or been declared effective on or before the 90th calendar day following the date such obligation to file arises, or

(b) the shelf registration statement has been declared effective and such shelf registration statement ceases to be effective, except as specifically permitted in the registration rights agreements, without being succeeded promptly by an additional registration statement filed and declared effective,

the interest rate borne by the original notes will be increased by 0.25% per year for the first 90 days of default, 0.50% per year for the second 90 days of default, 0.75% per year for the third 90 days of default and 1.0% per year for the remaining period of time in default.

The sole remedy available to the holders of the original notes will be the immediate increase in the interest rate on the original notes as described above. Any amounts of additional interest due as described above will be payable in cash on the same interest payments dates as the original notes.

## EXPIRATION DATE; EXTENSIONS; AMENDMENT

We will keep the exchange offer open for not less than 30 days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to the holders of the old notes. The term "expiration date" means the expiration date set forth on the cover page of this prospectus, unless we extend the exchange offer, in which case the term "expiration date" means the latest date to which the exchange offer is extended.

In order to extend the expiration date, we will notify the exchange agent of any extension by oral or written notice and will issue a public announcement of the extension, each prior to 5:00 p.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right

(a) to delay accepting any original notes, to extend the exchange offer or to terminate the exchange offer and not accept original notes not previously accepted if any of the conditions set forth under "-- Conditions" shall have occurred and shall not have been waived by us, if permitted to be waived by us, by giving oral or written notice of such delay, extension or termination to the exchange agent, or

(b) to amend the terms of the exchange offer in any manner deemed by us to be advantageous to the holders of the original notes.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice. If the exchange offer is amended in a manner determined by us to constitute a material change, we promptly will disclose such amendment in a manner reasonably calculated to inform the holders of the original notes of such amendment. Depending upon the significance of the amendment, we may extend the exchange offer if it otherwise would expire during such extension period.

Without limiting the manner in which we may choose to make a public announcement of any extension, amendment or termination of the exchange offer, we will not be obligated to publish, advertise, or otherwise communicate any such announcement, other than by making a timely release to an appropriate news agency.

#### PROCEDURES FOR TENDERING

To tender in the exchange offer, a holder must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, have the signatures on the letter of transmittal guaranteed if required by instruction 2 of the letter of transmittal, and mail or otherwise deliver such letter of transmittal or such facsimile or an agent's message in connection with a book entry transfer, together with the original notes and any other required documents. To be validly tendered, such documents must reach the exchange agent before 5:00 p.m., New York City time, on the expiration date. Delivery of the original notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date.

The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent, forming a part of a confirmation of a book-entry transfer, which states that such book-entry transfer facility has received an express acknowledgment from the participant in such book-entry transfer facility tendering the original notes that such participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce such agreement against such participant.

The tender by a holder of original notes will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

Delivery of all documents must be made to the exchange agent at its address set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

THE METHOD OF DELIVERY OF ORIGINAL NOTES AND THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDERS. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY TO THE EXCHANGE AGENT BEFORE 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR ORIGINAL NOTES SHOULD BE SENT TO US.

Only a holder of original notes may tender original notes in the exchange offer. The term "holder" with respect to the exchange offer means any person in whose name original notes are registered on our books or any other person who has obtained a properly completed bond power from the registered holder.

Any beneficial holder whose original notes are registered in the name of its broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on its behalf. If such beneficial holder wishes to tender on its own behalf, such registered holder must, prior to completing and executing the letter of transmittal and delivering its original notes, either make appropriate

arrangements to register ownership of the original notes in such holder's name or obtain a properly completed bond power from the registered holder. The transfer of record ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States referred to as an "eligible institution", unless the original notes are tendered

- (a) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal or
- (b) for the account of an eligible institution. In the event that signatures on a letter of transmittal or a notice of withdrawal, are required to be guaranteed, such guarantee must be by an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any original notes listed therein, such original notes must be endorsed or accompanied by appropriate bond powers and a proxy which authorizes such person to tender the original notes on behalf of the registered holder, in each case signed as the name of the registered holder or holders appears on the original notes.

If the letter of transmittal or any original notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by us, evidence satisfactory to us of their authority so to act must be submitted with the letter of transmittal.

All questions as to the validity, form, eligibility, including time of receipt, and withdrawal of the tendered original notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all original notes not properly tendered or any original notes our acceptance of which, in the opinion of counsel for us, would be unlawful. We also reserve the right to waive any irregularities or conditions of tender as to particular original notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within such time as we shall determine. None of us, the exchange agent or any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of original notes, nor shall any of them incur any liability for failure to give such notification. Tenderees of original notes will not be deemed to have been made until such irregularities have been cured or waived. Any original notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the exchange agent to the tendering holders of original notes, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In addition, we reserve the right in our sole discretion to

- (a) purchase or make offers for any original notes that remain outstanding subsequent to the expiration date or, as set forth under "-- Conditions," to terminate the exchange offer in accordance with the terms of the registration rights agreements and
- (b) to the extent permitted by applicable law, purchase original notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers may differ from the terms of the exchange offer.

By tendering, each holder will represent to us that, among other things,

- (a) the new notes acquired pursuant to the exchange offer are being obtained in the ordinary course of business of such holder or other person,
- (b) neither such holder nor such other person is engaged in or intends to engage in a distribution of the new notes,
- (c) neither such holder or other person has any arrangement or understanding with any person to participate in the distribution of such new notes, and
- (d) such holder or other person is not our "affiliate," as defined under Rule 405 of the Securities Act, or, if such holder or other person is such an affiliate, will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the original notes at The Depository Trust Company for the purpose of facilitating the exchange offer, and subject to the establishment of such accounts, any financial institution that is a participant in The Depository Trust Company's system may make book-entry delivery of original notes by causing The Depository Trust Company to transfer such original notes into the exchange agent's account with respect to the original notes in accordance with The Depository Trust Company's procedures for such transfer. Although delivery of the original notes may be effected through book-entry transfer into the exchange agent's account at The Depository Trust Company, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee, or an agent's message in lieu of the letter of transmittal, and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures. Delivery of documents to The Depository Trust Company does not constitute delivery to the exchange agent.

#### GUARANTEED DELIVERY PROCEDURES

Holders who wish to tender their original notes and

- (a) whose original notes are not immediately available or
- (b) who cannot deliver their original notes, the letter of transmittal or any other required documents to the exchange agent prior to the expiration date, may effect a tender if:

(1) the tender is made through an eligible institution;

(2) prior to the expiration date, the exchange agent receives from such eligible institution a properly completed and duly executed Notice of Guaranteed Delivery, by facsimile transmission, mail or hand delivery, setting forth the name and address of the holder of the original notes, the certificate number or numbers of such original notes and the principal amount of original notes tendered, stating that the tender is being made thereby, and guaranteeing that, within three business days after the expiration date, the letter of transmittal, or facsimile thereof or agent's message in lieu of the letter of transmittal, together with the certificate(s) representing the original notes to be tendered in proper form for transfer and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

(3) such properly completed and executed letter of transmittal (or facsimile thereof) together with the certificate(s) representing all tendered original notes in proper form for transfer and all other documents required by the letter of transmittal are received by the exchange agent within three business days after the expiration date.

## WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, tenders of original notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date. However, where the expiration date has been extended, tenders of original notes previously accepted for exchange as of the original expiration date may not be withdrawn.

To withdraw a tender of original notes in the exchange offer, a written or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth in this prospectus prior to 5:00 p.m., New York City time, on the expiration date. Any such notice of withdrawal must:

(a) specify the name of the depositor, who is the person having deposited the original notes to be withdrawn,

(b) identify the original notes to be withdrawn, including the certificate number or numbers and principal amount of such original notes or, in the case of original notes transferred by book-entry transfer, the name and number of the account at The Depository Trust Company to be credited,

(c) be signed by the depositor in the same manner as the original signature on the letter of transmittal by which such original notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the original notes register the transfer of such original notes into the name of the depositor withdrawing the tender and

(d) specify the name in which any such original notes are to be registered, if different from that of the depositor. All questions as to the validity, form and eligibility, including time of receipt, of such withdrawal notices will be determined by us, and our determination shall be final and binding on all parties. Any original notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect to the original notes withdrawn unless the original notes so withdrawn are validly retendered. Any original notes which have been tendered but which are not accepted for exchange will be returned to its holder without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn original notes may be retendered by following one of the procedures described above under "-- Procedures for Tendering" at any time prior to the expiration date.

## CONDITIONS

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange, any new notes for any original notes, and may terminate or amend the exchange offer before the expiration date, if the exchange offer violates any applicable law or interpretation by the staff of the Securities and Exchange Commission.

If we determine in our reasonable discretion that the foregoing condition exists, we may

(1) refuse to accept any original notes and return all tendered original notes to the tendering holders,

(2) extend the exchange offer and retain all original notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders who tendered such original notes to withdraw their tendered original notes, or

(3) waive such condition, if permissible, with respect to the exchange offer and accept all properly tendered original notes which have not been withdrawn. If such waiver constitutes a

material change to the exchange offer, we will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the holders, and we will extend the exchange offer as required by applicable law.

#### EXCHANGE AGENT

The Bank of New York has been appointed as exchange agent for the exchange offer. Questions and requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to The Bank of New York addressed as follows:

For Information by Telephone:  
(212) 815-5788

The Bank of New York

By Overnight Courier  
or Registered/Certified Mail:  
The Bank of New York  
Reorganization Unit

101 Barclay Street -- 7E

New York, New York 10286  
Attn: Mr. William Buckley

By Hand:  
The Bank of New York  
101 Barclay Street  
New York, New York

Corporate Trust Services

Ground Level  
Attn: Reorg Unit-7E

10286  
Window

By Facsimile Transmission:  
(212) 815-6339  
(Telephone Confirmation)  
(212) 815-5788

The Bank of New York is an affiliate of the trustee under the indentures governing the notes.

#### FEES AND EXPENSES

We have agreed to bear the expenses of the exchange offer pursuant to the exchange and registration rights agreements. We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with providing the services.

The cash expenses to be incurred in connection with the exchange offer will be paid by us. Such expenses include fees and expenses of The Bank of New York as exchange agent, accounting and legal fees and printing costs, among others.

#### ACCOUNTING TREATMENT

The new notes will be recorded at the same carrying value as the original notes as reflected in our accounting records on the date of exchange. Accordingly, no gain or loss for accounting purposes will be recognized by us. The expenses of the exchange offer and the unamortized expenses related to the issuance of the original notes will be amortized over the term of the notes.



## CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of original notes who are eligible to participate in the exchange offer but who do not tender their original notes will not have any further registration rights, and their original notes will continue to be subject to restrictions on transfer. Accordingly, such original notes may be resold only

- to us, upon redemption of these notes or otherwise,
- so long as the original notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person inside the United States whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A,
- in accordance with Rule 144 under the Securities Act, or under another exemption from the registration requirements of the Securities Act, and based upon an opinion of counsel reasonably acceptable to us,
- outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 under the Securities Act, or
- under an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States.

## REGULATORY APPROVALS

We do not believe that the receipt of any material federal or state regulatory approval will be necessary in connection with the exchange offer, other than the effectiveness of the exchange offer registration statement under the Securities Act.

## OTHER

Participation in the exchange offer is voluntary and holders of original notes should carefully consider whether to accept the terms and condition of this exchange offer. Holders of the original notes are urged to consult their financial and tax advisors in making their own decisions on what action to take with respect to the exchange offer.

## BUSINESS

## OVERVIEW

Charter Communications Holdings, operating through its subsidiaries, is the fourth largest operator of cable systems in the United States. Charter Communications Holdings Capital Corporation is a wholly owned subsidiary of Charter Holdings and was formed and exists solely as a co-issuer of our public debt. Through our broadband network of coaxial and fiber optic cable, we provide video, data, interactive and private business network services to approximately 7 million customers in 40 states. All of our systems offer traditional analog cable television. We also offer digital television, along with an array of advanced products and services such as high-speed Internet access, interactive video programming and video-on-demand, in an increasing number of our systems. We continue to explore opportunities to offer telephony through our broadband network. The introduction and roll-out of new products and services represents an important step toward the realization of our Wired World(TM) vision, where cable's ability to transmit voice, video and data at high speeds enables it to serve as the primary platform for the delivery of new services to the home and workplace.

For the year ended December 31, 2000, pro forma for the acquisitions completed since the beginning of 2000, including the AT&T transactions in 2001, our revenues would have been approximately \$3.6 billion.

Mr. Allen, the principal owner of Charter Communications, Inc. and one of the computer industry's visionaries, has long believed in a Wired World in which cable technology will facilitate the convergence of television, computers and telecommunications. We believe cable's ability to deliver voice, video and data at high speeds will enable it to serve as the primary platform for the delivery of new services to the home and workplace.

## BUSINESS STRATEGY

Our ultimate objective is to increase our customer base and the amount of cash flow per customer. To achieve this objective, we are pursuing the following strategies:

**BUILD AND OPERATE A TECHNOLOGICALLY ADVANCED BROADBAND NETWORK.** We are upgrading the technical quality and capacity of our existing systems. We will build out new systems to a minimum bandwidth of 550 megahertz or greater, which will allow us to:

- offer advanced products and services, such as digital television, high-speed Internet access and other interactive services;
- increase channel capacity up to 82 analog channels, and add even more channels and services when our bandwidth is used for digital signal transmission; and
- permit two-way communication, so that Internet access does not require a separate telephone line and our systems can provide telephony services.

By year-end 2002, when we anticipate that the upgrade of our existing systems will be substantially complete, we expect that approximately 93% of our customers will be served by cable systems with at least 550 megahertz bandwidth capacity, 88% of our customers will be served by cable systems with at least 750 megahertz bandwidth capacity and 89% of our customers will have two-way communication capability.

It is anticipated that upon completion of our upgrade, approximately 87% of our customers will be served by headends serving at least 10,000 customers. Headends are the control centers of a cable television system, where incoming signals are amplified, converted, processed and combined for

transmission to the customer. Reducing the number of headends will reduce headend equipment and maintenance expenditures and, together with our other upgrades, will provide enhanced picture quality and system reliability.

In 2001, we plan to complete a national network operations center to monitor and control all aspects of our network to enhance the reliability of our upgraded systems and support our high-speed Internet access and other advanced products.

As we complete our planned upgrade and build out new systems, we will be well positioned to migrate our customers to the digital platform and deploy new technologically advanced products and services as they are developed.

**OFFER AN ARRAY OF ADVANCED PRODUCTS AND SERVICES.** We offer an array of advanced products and services to our customers, consistent with our Wired World(TM) vision. Using digital technology, we offer additional channels on our standard service packages, create new service packages, introduce multiple packages of premium services, increase the number of pay-per-view channels, and offer programming of local interest. We also offer digital music services and interactive program guides that are comprehensive guides to television program listings that can be accessed by channel, time, date or programming type. In addition, we offer interactive video programming, high-speed Internet access, including Internet access over the television, and video-on-demand. We also are currently exploring opportunities for telephony. We have entered into the Digeo, Inc. joint venture to deliver high-speed Internet television portal services to our customers.

**FOCUS ON THE CUSTOMER.** To maximize customer satisfaction and loyalty, we operate our business to provide reliable, high-quality products and services and superior customer care. We tailor our product and service packages to suit the diverse communities we serve and satisfy local preferences for programming and value. We maintain a strong management presence at the local system level to improve our customer service and respond to local customer needs. We have launched one state-of-the-art regional customer contact center that provides customers with 24 x 7 access to specialized customer care representatives. Our objective is to have a customer contact center serving each of our 12 operating regions. We believe that our customer service efforts have contributed to our superior customer growth and will strengthen the Charter brand name and increase acceptance of our new advanced products and services.

**EMPLOY INNOVATIVE MARKETING.** We have developed and successfully implemented a variety of innovative marketing techniques to attract new customers, win back former customers, and increase revenue per customer. Our marketing efforts focus on offering Charter-branded entertainment and information services that provide value, choice, convenience and quality to our customers. We offer our expanded product and service offerings on a stand-alone basis and in varied packages that result in an attractive price/value relationship. We utilize database marketing to target audiences through direct mail and telemarketing. In addition, we promote our services in media advertising, by door-to-door selling and through e-marketing. We are implementing a retail sales strategy in coordination with consumer electronics retailers and other retailers. In addition, we have retention and loyalty program for retaining customers that includes televised advertising to reinforce the link between quality service and the Charter brand name.

#### CHARTER ORGANIZATIONAL STRUCTURE

The following is a description of the entities in our organizational structure and how they relate to us. In our discussion of the following entities, we make the same assumption as on page 2 with respect to our organizational chart. All percentages are as of June 30, 2001.

**OWNERSHIP OF CHARTER COMMUNICATIONS, INC.** Mr. Allen owns approximately 3.7% of the outstanding capital stock of Charter Communications, Inc. and controls approximately 92.0% of the voting power of Charter Communications, Inc.'s capital stock. The remaining equity interests and

voting power are held by the public. Mr. Allen's voting control arises from his ownership of Charter Communications, Inc.'s high-vote Class B common stock, his Class A common stock and his ownership interests in Vulcan Cable III and Charter Investment, both of which own membership units in Charter Communications Holding Company that are exchangeable for shares of high-vote Class B common stock of Charter Communications, Inc.

Charter Communications, Inc. is the issuer of \$750.0 million principal amount of 5.75% convertible senior notes issued in October and November 2000 and \$550.0 million principal amount of 4.75% convertible senior notes issued in May 2001.

The following table sets forth information as of June 30, 2001 with respect to the outstanding shares of common stock of Charter Communications, Inc. and pro forma for the exchange of membership units in two of its subsidiaries (Charter Communications Holding Company and CC VIII, LLC), which are exchangeable for shares of Charter Communications, Inc. Class A common stock on a one-for-one basis at any time.

PRO FORMA FOR EXCHANGE OF AS OF			
JUNE 30, 2001 EQUITY IN			
SUBSIDIARIES -----			
-----			
NUMBER OF	PERCENT OF	NUMBER OF	PERCENT OF
TOTAL SHARES	SHARES	SHARES	SHARES
OUTSTANDING	OUTSTANDING	OUTSTANDING	OUTSTANDING
-----	-----	-----	-----
----- Class A Common			
Stock.....			
294,095,712	99.98%	294,095,712	
44.73% Class B Common			
Stock..... 50,000			
0.02	50,000	.00001	-----
----- Total			
Common Stock Outstanding.....			
294,145,712	100.00%	294,145,712	
44.73% =====			
===== Exchangeable			
Equity in Subsidiaries: Charter			
Investment, Inc.(a).....			
217,585,246	33.09%	Vulcan Cable	
III Inc.(a).....			
106,715,233	16.23	Sellers of	
Bresnan cable systems(b)...			
39,105,495	5.95	-	-----
---- Total Pro Forma Common			
Stock			
Outstanding.....			
657,551,686	100.00%	=====	
=====			

- (a) Assumes exchange of units in Charter Communications Holding Company held by such entities. Both Charter Investment, Inc. and Vulcan Cable III, Inc. are controlled by Paul G. Allen.
- (b) Assumes exchange of membership units in Charter Communications Holding Company and CC VIII, LLC held by such persons.

VULCAN CABLE III INC. Vulcan Cable III has an 16.9% equity interest and no voting rights in Charter Communications Holding Company. Vulcan Cable III's membership units in Charter Communications Holding Company are exchangeable for shares of Charter Communications, Inc. Class B common stock on a one-for-one basis at any time. Mr. Allen owns 100% of the outstanding capital stock of Vulcan Cable III.

CHARTER INVESTMENT, INC. Charter Investment, Inc. has a 34.4% equity interest and no voting rights in Charter Communications Holding Company. Charter Investment's membership units in Charter Communications Holding Company are exchangeable for shares of Charter Communications, Inc. Class B common stock at any time on a one-for-one basis. Mr. Allen owns approximately 96.8% of the outstanding capital stock of Charter Investment. The remaining 3.2% equity is

beneficially owned by our founders, Jerald L. Kent, Howard L. Wood and Barry L. Babcock.

SELLERS OF BRESNAN CABLE SYSTEMS. Upon the closing of the Bresnan acquisition, some of the sellers received a portion of their purchase price in the form of equity interests in subsidiaries of Charter Communications, Inc. rather than in cash. The common membership units in Charter Communications Holding Company and the preferred membership units in CC VIII, LLC which

were issued to these sellers are exchangeable for shares of Charter Communications, Inc. Class A common stock on a one-for-one basis at any time. If all of the Bresnan sellers exchanged their membership units in Charter Communications Holding Company or such indirect subsidiary, as applicable, these equity holders as a group would have a total 5.9% equity interest in Charter Communications, Inc.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC. Charter Communications Holding Company is our direct 100% parent. Charter Communications Holding Company is owned 46.4% by Charter Communications, Inc., 16.9% by Vulcan Cable III Inc., 34.4% by Charter Investment and 2.3% by certain sellers in our Bresnan acquisition. Charter Communications, Inc. controls 100% of the voting power of Charter Communications Holding Company. All of the outstanding membership units in Charter Communications Holding Company held by Vulcan Cable III and Charter Investment are exchangeable for shares of Class B common stock of Charter Communications, Inc. on a one-for-one basis at any time which are in turn exchangeable for Class A common stock of Charter Communications, Inc. All of the outstanding membership units held by Bresnan sellers are exchangeable for shares of Class A common stock of Charter Communications, Inc. on a one-for-one basis at any time.

CHARTER COMMUNICATIONS HOLDINGS, LLC. Charter Holdings is a co-issuer of the notes, \$3.575 billion aggregate principal amount of notes issued in March 1999, \$1.532 billion aggregate principal amount of notes issued in January 2000 and \$2.075 billion aggregate principal amount of notes issued in January 2001. Charter Holdings owns 100% of Charter Communications Holdings Capital Corporation, the co-issuer of the notes, and the March 1999, January 2000 and January 2001 Charter Holdings notes. Charter Holdings also owns the various subsidiaries that conduct all of our cable operations, including the Charter, CC V, CC VI, CC VII and CC VIII Companies described below.

CHARTER COMMUNICATIONS HOLDINGS CAPITAL CORPORATION. Charter Capital is a wholly owned subsidiary of Charter Holdings and a co-issuer of the notes and the Charter Holdings notes described in the preceding paragraph.

OPERATING SUBSIDIARIES. These companies are subsidiaries of Charter Holdings and own or operate all of our cable systems. There are separate credit facilities for each of four groups of these operating subsidiaries. As indicated below, these groups include systems acquired in the acquisitions listed in "Management's Discussion and Analysis of Financial Condition and Results of Operations." These groups consist of:

- the Charter Companies, including Charter Operating and its subsidiaries, which own or operate all of the cable systems formerly operated by Charter Investment under the "Charter Communications" name, and the cable systems acquired in the following 1999 and 2000 transactions: Marcus, American Cable, Greater Media, Helicon, Vista, Rifkin, South Miami, Farmington and Capital Cable. The Charter Companies also include the issuers of outstanding publicly held notes of a subsidiary acquired in the Renaissance acquisition;
- the CC V and CC VIII Companies, which own or operate all of the cable systems acquired in the Avalon, Interlake and Bresnan acquisitions, and include co-issuers of outstanding publicly held notes;
- the CC VI Companies, which own or operate all of the cable systems acquired in the Fanch and Kalamazoo acquisitions; and
- the CC VII Companies, which own or operate all of the cable systems acquired in the Falcon acquisition.

## ACQUISITIONS COMPLETED IN 2000

**BRESNAN.** In February 2000, Charter Communications Holding Company and Charter Holdings purchased Bresnan Communications Company Limited Partnership for a total purchase price of approximately \$3.1 billion, consisting of approximately \$1.1 billion in cash, \$1.0 billion in membership units in Charter Communications Holding Company and CC VIII, our indirect subsidiary, and \$963.3 million in assumed debt. Charter Communications Holding Company transferred its ownership interest to us. The cable systems acquired in the Bresnan acquisition are located in Michigan, Minnesota, Wisconsin and Nebraska and served approximately 697,400 customers as of December 31, 2000. For the year ended December 31, 2000, these systems had revenues of \$334.7 million.

**KALAMAZOO.** In September 2000, Charter Communications, Inc. completed a stock-for-stock merger with Cablevision of Michigan, Inc., the owner of a cable system in Kalamazoo, Michigan, in which Charter Communications, Inc. issued shares of its Class A common stock valued at \$170.6 million. After the merger, Charter Communications, Inc. contributed 100% of the equity interests it acquired to Charter Communications Holding Company in exchange for membership units. Charter Communications Holding Company in turn contributed these equity interests to us and we in turn contributed the equity interests to a subsidiary. The Kalamazoo system served approximately 52,100 customers as of December 31, 2000 and had revenues of approximately \$21.5 million for the year ended December 31, 2000.

**OTHER ACQUISITIONS.** In 2000, we completed several other acquisitions for an aggregate purchase price of \$88 million in cash. These systems served approximately 34,200 customers as of December 31, 2000 and had revenues of approximately \$14.0 million for the year ended December 31, 2000.

## AT&amp;T TRANSACTIONS

In February 2001, affiliates of Charter Holdings entered into several agreements with AT&T Broadband, LLC involving several strategic cable system transactions that would result in a net addition of customers for the Charter cable systems. These affiliates assigned the agreements to us and the AT&T transactions closed in June 2001. In the AT&T transactions, we acquired cable systems from AT&T Broadband serving approximately 554,000 customers in Missouri, Alabama, Nevada and California for a total of \$1.77 billion consisting of \$1.75 billion in cash and a Charter cable system valued at \$24 million. A portion of the net proceeds from the sale of the original notes was used to pay the cash portion of the purchase price of the AT&T transactions. Charter systems in the Miami Beach, Florida area, originally included in the AT&T transactions, will remain with Charter.

## PRODUCTS AND SERVICES

We offer our customers traditional cable television services and programming as well as new and advanced high bandwidth services such as digital television and high-speed Internet access. We plan to continue to enhance and upgrade these services by adding new programming and other advanced products and services as they are developed. In 2001, we are continuing to focus on our digital television and high-speed Internet services, both of which are increasingly desired by customers. In addition, we plan to increase the number of markets where we offer video-on-demand services.

**TRADITIONAL CABLE TELEVISION SERVICES.** Customers subscribing to both "basic" and "expanded basic" service generally receive a line-up of between 33 and 82 channels of television programming, depending on the bandwidth capacity of the system. Customers who pay additional amounts can also subscribe to additional channels, either individually or in packages, as add-ons to the basic channels. We tailor both our basic channel line-up and our additional channel offerings to each system

according to demographics, programming preferences, competition, price sensitivity and local regulation.

Our traditional cable television service offerings include the following:

- BASIC CABLE. All of our customers receive a package of basic programming, which generally consists of local broadcast television, local community programming, including governmental and public access, and limited satellite delivered or non-broadcast channels.
- EXPANDED BASIC CABLE. This expanded programming level includes a package of satellite-delivered or non-broadcast channels (such as ESPN, CNN and Lifetime Television) in addition to the basic channel line-up.
- PREMIUM CHANNELS. These channels provide commercial-free movies, sports and other special event entertainment programming. Home Box Office, Cinemax, Showtime, the Movie Channel, Starz and Encore are examples of premium channels. Although we offer subscriptions to premium channels on an individual basis, we are offering an increasing number of premium channel packages and are bundling premium channels with our advanced services.
- PAY-PER-VIEW. These channels allow customers to pay on a per event basis to view a single showing of a recently released movie, a one-time special sporting event or music concert on a commercial-free basis.

ADVANCED PRODUCTS AND SERVICES. Cable's high bandwidth is a key factor in the successful delivery of advanced products and services. A variety of emerging technologies and increasing Internet usage by our customer base have presented us with substantial opportunities to expand our sources of revenue. In an increasing number of our systems, we now offer a variety of advanced products and services, including:

- digital television and its related enhancements, such as an interactive programming guide;
- high-speed Internet access via cable modems;
- television-based Internet access, which allows customers to access the Internet through the use of our two-way cable plant without the need for a personal computer;
- video-on-demand;
- interactive services, such as Wink, which adds interactivity and electronic commerce opportunities to traditional programming and advertising; and
- private network services, such as voice and data transmission services to a network of interconnected locations of a single customer.

The following table summarizes our customer statistics for our analog and digital cable and advanced products and services. The pro forma statistics as of December 31, 1999 reflect all



acquisitions in 1999 and 2000 closed since that date as if such acquisitions occurred on January 1, 1999:

AS OF AND FOR THE YEAR ENDED - -----  
 ----- ACTUAL PRO FORMA DECEMBER 31,  
 DECEMBER 31, 2000 1999 -----  
 -- VIDEO SERVICES Basic cable (analog signal)  
     Homes  
 passed(a).....  
     10,225,000 9,970,000 Basic  
 customers(b).....  
     6,350,900 6,193,700  
 Penetration(c).....  
     62.1% 62.1% Digital cable Homes  
 passed(a).....  
     8,793,000 4,675,000 Digital  
 customers.....  
     1,069,500 155,400  
 Penetration(c).....  
     12.2% 3.3% Number of digital terminals  
 deployed..... 1,336,900 176,600 INTERNET  
 AND OTHER DATA SERVICES Cable modem high-speed  
     Internet access Homes  
 passed(a).....  
     5,550,800 4,422,000 Cable modem  
 customers..... 252,400  
     84,400  
 Penetration.....  
 4.5% 1.9% Television-based Internet access Homes  
 passed(a).....  
     472,100 429,000 TV Internet  
 customers..... 9,700  
     7,100  
 Penetration.....  
 2.1% 1.7% INTERACTIVE TELEVISION (WINK) Homes  
 passed(a).....  
     3,271,430 983,239 Interactive TV  
 customers..... 304,362  
     39,477

PRO FORMA FOR THE YEAR ENDED - -----  
 ----- DECEMBER 31,  
 DECEMBER 31, 2000 1999 -----  
 ----- Average monthly pro  
 forma revenue per basic customer(b)  
 (d).....  
     \$43.31 \$39.70 Average monthly pro  
 forma operating cash flow per basic  
     customer(b)  
 (e).....  
     \$20.52 \$17.67

- 
- (a) Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable television distribution network in a given cable system service area to which we offer the named service.
- (b) Basic customers are customers who receive basic cable service. All of our customers, including those receiving digital or advanced services, receive basic cable service.
- (c) Penetration represents customers as a percentage of homes passed.
- (d) Average pro forma monthly revenue per basic customer represents pro forma revenues from all sources, adjusted to illustrate the effect of all 1999 and 2000 acquisitions as if they had closed on January 1, 1999, divided by twelve, divided by the number of basic customers at the end of the year (actual for December 31, 2000 and pro forma for December 31, 1999).
- (e) Average pro forma monthly operating cash flow per basic customer represents operating cash flow (defined as revenues less the sum of operating, general and administrative expenses and corporate expense charges-related party), adjusted to illustrate the effect of all 1999 and 2000 acquisitions as if they had closed on January 1, 1999, divided by twelve, divided by the number of basic customers at the end of the year (actual for December 31, 2000 and

pro forma for December 31, 1999).

DIGITAL TELEVISION. As part of our systems upgrade, we are installing headend equipment capable of delivering digitally encoded cable transmissions to a two-way digital-capable set-top terminal in the customer's home. This digital connection offers significant advantages. For example,

we can compress the digital signal to allow the transmission of up to twelve digital channels in the bandwidth normally used by one analog channel. The increased channel capacity will allow us to increase both programming and service offerings, including offering video-on-demand to pay-per-view customers.

We offer digital service to our customers in several different service combination packages. All digital packages include a digital set-top terminal, an interactive electronic programming guide, 45 channels of CD quality digital music, an expanded menu of pay-per-view channels and at least thirty additional digital channels. Certain digital packages also offer customers one or more premium channels of their choice with "multiplexes." Multiplexes give customers access to several different versions of the same premium channel which are varied as to time of broadcast (such as east and west coast time slots) or programming content theme (such as westerns or romance). Other digital packages bundle digital television with other advanced services, such as Internet access.

We expect to increase our digital customers to approximately two million and our digital penetration to over 30% of digital homes passed by December 31, 2001.

**CABLE MODEM-BASED HIGH-SPEED INTERNET ACCESS.** We offer high-speed data and Internet access to our residential customers primarily via cable modems attached to personal computers, at speeds of up to approximately 50 times the speed of a conventional telephone modem. By December 31, 2001, we expect to have approximately 550,000 to 600,000 cable-modem high-speed Internet customers.

We generally offer high-speed Internet access services under the Charter Pipeline(TM) brand. In some of our markets, however, our cable modem and Internet access service is a co-branded service with an Internet service provider.

**TRADITIONAL DIAL-UP MODEM INTERNET ACCESS.** Traditional dial-up Internet access is available upon customer request in a limited number of our markets where two-way cable modem Internet access is not yet available.

**TV-BASED INTERNET ACCESS.** We also have agreements with WorldGate, ICTV and Digeo to offer our residential customers high-speed Internet access over the television.

Our WorldGate television-based Internet access service offers easy, low-cost Internet access to customers at connection speeds ranging up to 128 kilobits per second. This service, with its user-friendly interface, appeals to first-time Internet users and does not require the use of a PC, an existing or additional telephone line, or any additional equipment. The Internet domain name of the customers who use this service is "Charter.net." This allows customers to switch or expand to our other Internet services without a change of e-mail address.

During 2001, we expect to offer Digeo, Inc.'s television-based Internet access service in several markets. The Digeo product is designed to blend the power of the Internet with the convenience of the television. Through the use of an advanced digital set-top terminal, customers will be able to access Internet-based streaming media on the television, including both local and national news, sports and entertainment. The Internet domain name of customers using this service will be "Charter TV." The Digeo product is a "portal," which is an Internet web site that serves as a user's initial point of entry to the World Wide Web. By offering selected content, services and links to other web sites, a portal guides and directs users through the World Wide Web. In addition, the portal generates revenues from advertising on its own web pages and by sharing revenues generated by linked or featured web sites.

We plan to use Digeo as our television-based portal for an initial six-year period. A Charter subsidiary and an affiliate of Mr. Allen own equity interests in Digeo. See "Certain Relationships and Related Transactions -- Business Relationships."

VIDEO-ON-DEMAND. In 2000, we began the roll-out of video-on-demand (VOD) service to digital customers in some of our markets. With VOD service, customers can access hundreds of movies and other programming at any time, with digital picture quality. VOD allows full VCR functionality, including the ability to pause, rewind and fast-forward programs. Customers can also stop a program and resume watching it several hours later during the rental period. In addition, the VOD programming available in a particular market can be customized for market-based or customer preferences and local interest. For example, foreign language or other local programming could be offered in markets where such programming is likely to appeal to customers. Generally, customers pay for VOD (such as movies) on a per-selection basis. Some VOD programming is also available on a category basis (such as children's programming) for a single monthly fee.

At December 31, 2000, VOD was available to approximately 170,000 homes in our Los Angeles and Atlanta markets with approximately 450 titles available to customers. We expect VOD to be available to approximately 2.2 million homes passed by the end of 2001. In systems where VOD is available, it is included as a standard feature of our digital service packages. We utilize DIVA Systems Corporation, a company providing interactive VOD products and services to the cable industry, to provide us with hardware, software, programming and operational support.

INTERACTIVE VIDEO PROGRAMMING. We provide interactive programming using technology developed by Wink Communications, Inc. The Wink technology embeds interactive features, such as additional information and statistics about a television program or the option to order an advertised product, into programming and advertisements. A customer with a Wink-enabled set-top terminal and a Wink-enabled cable provider sees an icon flash on the screen when additional Wink features are available to enhance a program or advertisement. By pressing the select button on a standard remote control, a viewer of a Wink-enhanced program is able to access additional information regarding such program, including, for example, information on prior episodes or the program's characters. A viewer watching an advertisement would be able to access additional information regarding the advertised product and may also be able to utilize the two-way transmission features to order a product. We have bundled Wink's services with our traditional cable services in both our advanced analog and digital platforms. Wink's services are provided free of charge to the customer. A company controlled by Mr. Allen has an approximate 3% equity interest in Wink.

Various programming networks, including CNN, NBC, ESPN, HBO, Showtime, Lifetime, VH1, the Weather Channel and Nickelodeon, together currently produce over 2,000 hours of Wink-enhanced programming per week. Under certain revenue-sharing arrangements, we will modify our headend technology to allow Wink-enabled programming to be offered on our systems. We receive fees from Wink each time one of our customers uses Wink to request certain additional information or order advertised products. Our customers average approximately 246,000 clicks per week on Wink icons.

PRIVATE BUSINESS NETWORKS. During 2000, we established Charter Business Networks as a separate division to offer integrated network solutions for data, video, Internet and private voice communications to commercial and institutional customers in certain of our markets. These solutions include virtual local area and wide area networks with bandwidth and Internet access capacity based on customer needs, supported by remote monitoring.

TELEPHONY/VOICE SERVICES. We expect to be able to offer cable telephony services by the end of 2003 in selected markets using our systems' direct, two-way connections to homes and other buildings. We are exploring technologies using Internet protocol telephony to transmit digital voice signals over our systems. We have already begun an Internet protocol (IP) telephony trial in Wisconsin, and expect to launch a second trial in St. Louis in 2001. We have marketed telephony services as a competitive access provider in the State of Wisconsin through one of our subsidiaries, and are currently looking to expand our services as a competitive access provider into other states.

OTHER NEW BUSINESS INITIATIVES. We are seeking to provide our customers in 2001 with advanced digital set-top terminals that include digital video recording capabilities (commonly referred to as "DVR"). Built-in DVR capability in the set-top terminal will enable customers to store video, audio and Internet content. We are also exploring deployment of wireless networking technology for our cable modem customers.

SALE OF LOCAL ADVERTISING. We receive revenue from the sale of local advertising on satellite-delivered networks such as MTV, CNN and ESPN. In any particular system, we generally insert local advertising on a minimum of twelve networks, and have covered up to 40 channels. Our system rebuild and additional digital services launches have increased the number of channels, and made it possible to insert local advertising.

HOME SHOPPING. In 2000, we also received revenues from channels devoted exclusively to home shopping (such as HSN) and other channels that allow us to insert infomercials during off-peak hours.

PRICING FOR OUR PRODUCTS AND SERVICES

Our revenues are derived principally from the monthly fees our customers pay for cable services. The rates we charge vary based on the market served and level of service selected and are usually adjusted on an annual basis. As of December 31, 2000, the average monthly fee was \$13.16 for basic service and \$17.93 for expanded basic service. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. We believe our rate practices are in accordance with Federal Communications Commission Guidelines and are consistent with those prevailing in the industry generally. See "Regulation and Legislation."

In accordance with the Federal Communications Commission's rules, the rates we charge for cable-related equipment, such as set-top terminals and remote control devices, and installation services are based on actual costs plus a permitted rate of return.

Although our service offerings vary by market because of differences in the bandwidth capacity of the cable systems in each of our markets and competitive and regulatory factors, our services, when offered on a stand-alone basis, are typically offered at monthly price ranges as follows.

SERVICE PRICE RANGE - -----	Basic
cable.....	\$ 9.95 - \$14.00
	Expanded basic
cable.....	\$15.00
	- \$29.00 Premium
channel.....	
	\$10.95 - \$13.50 Pay-Per-View (per movie or
event).....	\$ 2.95 - \$50.95
	Digital cable video
packages.....	\$45.95 -
	\$59.95 High-speed Internet access by cable
modem.....	\$29.95 - \$39.95
Video-on-	
Demand (per selection).....	\$
	0.99 - \$ 9.95



2000....  
33.4%  
12.6%  
37.5%  
16.5%  
57.1%  
December  
31,  
2001....  
19.6%  
12.8%  
39.3%  
28.3%  
70.8%  
December  
31,  
2002....  
6.9% 5.5%  
43.8%  
43.8%  
89.0%

We have adopted the hybrid fiber coaxial cable (HFC) architecture as the standard for our ongoing systems upgrades. HFC architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video, data and voice channels over extended distances. Coaxial cable is less expensive and requires a more extensive signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fiber optic cable from the headend to a group of nodes, and use coaxial cable to deliver the signal from individual nodes to the homes passed served by that node. Our system design enables a maximum of 500 homes passed to be served by a single node. Currently, our average node serves approximately 380 homes passed. Our system design provides for six strands of fiber to each node, with two strands

activated and four strands reserved for future services (sometimes referred to as "dark fiber"). We believe that this hybrid network design provides high capacity and superior signal quality, and will enable us to provide the newest forms of telecommunications services to our customers. It also provides reserve capacity for the addition of future services.

The primary advantages of HFC architecture over traditional coaxial-only cable networks include:

- increased bandwidth capacity, for more channels and other services;
- dedicated bandwidth for two-way services, which avoids reverse signal interference problems that can otherwise occur with two-way communication capability;
- improved picture quality and service reliability; and
- operating efficiencies resulting from a reduced number of headends.

In 2001, we will have a fully operational national network operations center to monitor our networks and ensure maximum quality of service. Monitoring becomes increasingly important as we increase the number of customers utilizing two-way high-speed data service. We plan to open regional operations centers in the future to augment our national center on an as-needed basis.

#### MANAGEMENT OF OUR SYSTEMS

Our operating philosophy emphasizes decentralized management, with decisions being made as close to the customer as possible. We are organized in two divisions that contain a total of twelve operating regions. Each of the two divisions is managed by a Senior Vice President, who is responsible for the overall supervision of the operating regions within the division. Each operating region is managed by a Senior Vice President or a Vice President, supported by operational, marketing and engineering personnel at the regional and local system level. Our consolidation of certain functions at the regional level has resulted in numerous operating efficiencies and superior customer care. At the same time, our centralized financial management by our corporate office enables us to set financial and operating benchmarks and monitor system performance on an ongoing basis. Our corporate office also performs certain financial control functions such as accounting, finance and acquisitions, payroll and benefit administration, internal audit, purchasing and programming contract administration on a centralized basis.

#### SALES AND MARKETING

We have a centralized team responsible for overseeing the sales and the marketing strategies of our individual systems. For most of our systems with over 30,000 customers we have a dedicated marketing manager, while smaller systems are handled regionally. We believe our success in marketing comes in large part from new and innovative ideas and from good interaction, quick information flow and sharing of best practices between our corporate office, which handles programs and administration, and our field offices, which implement the various programs. In addition, we constantly monitor the regulatory arena, customer perception, competition, pricing and product preferences to increase our responsiveness to our customers.

Our long-term marketing objective is to increase our cash flow through deeper market penetration and growth in revenue per household. We hope that customers will come to view their cable connection as the best "pipeline" to the home for a multitude of services. To achieve this objective, we are pursuing the following strategies:

- increase the number of residential consumers who subscribe to digital service, which enables them to receive a greater number of television channels and interactive services;



- introduce new advanced products and services;
- design product offerings to enable greater opportunity for customer entertainment and information choices;
- package product offerings to promote the sale of premium services and niche programming providing an attractive price/value relationship with our customers;
- target marketing opportunities based on geodemographic data and past purchasing behavior;
- develop specialized programs to attract former customers, households that have never subscribed and customers of competitive services; and
- employ Charter branding of products to promote customer awareness and loyalty.

We invest significant amounts of time, effort and financial resources in marketing new and existing services. To increase customer penetration and increase the level of services used by our customers, we use coordinated marketing techniques, including door-to-door solicitation, telemarketing, media advertising, e-marketing and direct mail solicitation. We believe we have one of the cable industry's highest success rates in attracting and retaining customers who have never before subscribed to cable services.

In 2001, we began to sell our services through consumer electronics retailers and other retailers that sell televisions or cable modems.

#### PROGRAMMING

**GENERAL.** We believe that offering a wide variety of conveniently scheduled programming is an important factor influencing a customer's decision to subscribe to and retain our cable services. We devote considerable resources to obtaining access to a wide range of programming that we believe will appeal to both existing and potential customers. We rely on extensive market research, customer demographics and local programming preferences to determine channel offerings in each of our markets. We obtain basic and premium programming from a number of suppliers, usually pursuant to a written contract. Our programming contracts generally continue for a fixed period of time, usually from three to ten years, and are subject to negotiated renewal. Some program suppliers offer financial support for the launch of a new channel and ongoing marketing support. We also try to negotiate volume discount pricing structures.

**COSTS.** Programming tends to be made available to us for a flat fee per customer. However, some channels are available without cost to us. In connection with the launch of a new channel, we may receive a distribution fee to support the channel launch. For home shopping channels, we receive a percentage of the amount spent in home shopping purchases by our customers on channels we carry.

Our cable programming costs have increased in recent years and are expected to continue to increase due to factors including:

- system acquisitions that increase the number of customers;
- additional programming being provided to customers as a result of system rebuilds that increase channel capacity;
- increased cost to produce or purchase cable programming; and
- inflationary or negotiated annual increases.

In every year we have operated, our costs to acquire programming have exceeded customary inflationary and cost-of-living type increases. In particular, sports programming costs have increased

significantly over the past several years. In addition, contracts to purchase sports programming sometimes contain built-in cost increases for programming added during the term of the contract.

Under rate regulations of the Federal Communications Commission, cable operators may increase their rates to customers to cover increased costs for programming, subject to certain limitations. See "Regulation and Legislation."

#### FRANCHISES

As of December 31, 2000, our systems operated pursuant to a total of approximately 4,520 franchises, permits and similar authorizations issued by local and state governmental authorities. Each franchise is awarded by a governmental authority and is usually not transferable unless the granting governmental authority consents. Most franchises are subject to termination proceedings in the event of a material breach. In addition, most franchises require us to pay the granting authority a franchise fee of up to 5.0% of gross revenues as defined by the franchise agreements, which is the maximum amount that may be charged under the applicable law.

Prior to the scheduled expiration of most franchises, we initiate renewal proceedings with the granting authorities. This process usually takes three years but can take a longer period of time and often involves substantial expense. The Communications Act provides for an orderly franchise renewal process in which granting authorities may not unreasonably withhold renewals. If a renewal is withheld and the granting authority takes over operation of the affected cable system or awards the cable franchise to another party, the granting authority must pay the existing cable operator the "fair market value" of the system. The Communications Act also established comprehensive renewal procedures requiring that an incumbent franchisee's renewal application be evaluated on its own merit and not as part of a comparative process with competing applications. In connection with the franchise renewal process, many governmental authorities require the cable operator to make certain commitments, such as technological upgrades to the system, which may require substantial capital expenditures. We cannot assure you that any particular franchise will be renewed or that it can be renewed on commercially favorable terms. Our failure to obtain renewals of our franchises, especially those in major metropolitan areas where we have the most customers, would have a material adverse effect on our business, results of operations and financial condition. Approximately 44% of our franchises covering approximately 42% of our basic cable customers expire within five years after December 31, 2000.

Under the 1996 Telecom Act, state and local authorities are prohibited from limiting, restricting or conditioning the provision of telecommunications services. They may, however, impose "competitively neutral" requirements and manage the public rights-of-way. Granting authorities may not require a cable operator to provide telecommunications services or facilities, other than institutional networks, as a condition of an initial franchise grant, a franchise renewal, or a franchise transfer. The 1996 Telecom Act also limits franchise fees to an operator's cable-related revenues and clarifies that they do not apply to revenues that a cable operator derives from providing new telecommunications services.

We believe our relations with the franchising authorities under which our systems are operated are generally good. Substantially all of the material franchises relating to our systems which are eligible for renewal have been renewed or extended at or prior to their stated expiration dates.

#### CUSTOMER CARE

Maximizing customer satisfaction is a key element of our business strategy. In support of our commitment to customer satisfaction, we operate a 24-hour customer service hotline for nearly all of our systems and offer on-time installation and service guarantees.

To better serve our customers, we are consolidating some of our local customer care functions at the regional level. At December 31, 2000, we maintained 22 call centers handling approximately 56% of our customers, including our first state-of-the-art regional customer contact center that was established in 2000. We expect to complete six additional state-of-the-art regional customer contact centers in 2001. By establishing regional customer contact centers, we are able to service our customers 24 hours a day, seven days a week, with highly trained personnel. These regional centers utilize state-of-the-art equipment that enhances all interactions with our customers and provides a high-performance employee environment. Our customer care specialists receive extensive training to develop customer contact skills and product knowledge critical to high rates of customer retention as well as to selling additional services and higher levels of service to our customers. We expect that our customer care functions will benefit from the additional technologies available when our national and regional network operations centers are opened. We utilize surveys, focus groups and other research tools as part of our efforts to determine and respond to customer needs.

Consistent with our focus on customer satisfaction, we have implemented stringent customer care standards that we believe meet or exceed those established by the National Cable Television Association, the Washington, D.C.-based trade association for the cable industry. It is our policy that if an installer is late for a scheduled appointment the customer receives free installation, and if a service technician is late for a service call the customer receives a \$20 credit.

#### COMPETITION

We face competition in the areas of price, service offerings and service reliability. We compete with other providers of television signals and other sources of home entertainment. In addition, as we expand into additional services such as interactive services and telephony, we will face competition from other providers of each type of service. See "Risk Factors." We operate in a very competitive business environment which can adversely affect our business and operations.

Through business developments such as the merger of Tele-Communications, Inc. and AT&T and the merger of America Online, Inc. (AOL) and Time Warner Inc., customers have come to expect a variety of services from a single provider. While these mergers are not expected to have a direct or immediate impact on our business, they encourage providers of cable and telecommunications services to expand their service offerings. They also encourage consolidation in the cable industry as cable operators recognize the competitive benefits of a large customer base and expanded financial resources.

Our key competitors include:

**BROADCAST TELEVISION.** Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an "off-air" antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through "off-air" reception compared to the services provided by the local cable system. The recent licensing of digital spectrum by the Federal Communications Commission will provide incumbent television licenses with the ability to deliver high definition television pictures and multiple digital-quality program streams, as well as advanced digital services such as subscription video and data transmission.

**DBS.** Direct broadcast satellite, known as DBS, is a significant competitor to cable systems. The DBS industry has grown rapidly over the last several years, far exceeding the growth rate of the cable television industry, and now serves more than 15 million subscribers nationwide. DBS service allows the subscriber to receive video services directly via satellite using a relatively small dish antenna. Moreover, video compression technology allows DBS providers to offer more than 100 digital channels, thereby surpassing the typical analog cable system. DBS companies historically were

prohibited from retransmitting popular local broadcast programming. However, a change to the copyright laws in November 1999 eliminated this legal impediment. As a result, DBS companies now need to secure retransmission consent from the popular broadcast stations they wish to carry, and they will face mandatory carriage obligations of less popular broadcast stations as of January 2002. In response to the legislation, DirecTV, Inc. and EchoStar Communications Corporation have begun carrying the major network stations in the nation's top television markets. DBS, however, is limited in the local programming it can provide because of the current capacity limitations of satellite technology. It is, therefore, expected that DBS companies will offer local broadcast programming only in the larger U.S. markets in the foreseeable future. The DBS industry recently initiated a judicial challenge to the 2002 requirement mandating carriage of less popular broadcast stations. This lawsuit alleges that the requirement (similar to the one applicable to cable systems) is unconstitutional. The federal district court in Virginia rejected the DBS industry's constitutional challenge, but the industry already has stated that it will appeal the ruling. EchoStar began providing high-speed Internet access in late 2000, and DirecTV, which partnered with AOL, reports that it will begin providing its own version of high-speed Internet access shortly.

DSL. The deployment of digital subscriber line technology, known as DSL, allows Internet access to subscribers at data transmission speeds greater than available over conventional telephone lines. DSL service therefore is competitive with high-speed Internet access over cable systems. Several telephone companies and other companies offer DSL service. There are bills now before Congress that would reduce regulation of Internet services offered by incumbent telephone companies. The Federal Communications Commission has a policy of encouraging the deployment of DSL and similar technologies, both by incumbent telephone companies and newer, competing telephone companies. The Federal Communication Commission's decisions and policies in this area are subject to change. We cannot predict the likelihood of success of the Internet access services offered by our competitors, or the impact on our business and operations of these competitive ventures.

TRADITIONAL OVERBUILDS. Cable television systems are operated under non-exclusive franchises granted by local authorities. More than one cable system may legally be built in the same area. It is possible that a franchising authority might grant a second franchise to another cable operator and that such a franchise might contain terms and conditions more favorable than those afforded us. In addition, entities willing to establish an open video system, under which they offer unaffiliated programmers non-discriminatory access to a portion of the system's cable system may be able to avoid local franchising requirements. Well financed businesses from outside the cable industry, such as public utilities that already possess fiber optic and other transmission lines in the areas they serve may over time become competitors. There has been a recent increase in the number of cities that have constructed their own cable systems, in a manner similar to city-provided utility services. There also has been an increased interest in traditional overbuilds by private companies. Constructing a competing cable system is a capital intensive process which involves a high degree of risk. We believe that in order to be successful, a competitor's overbuild would need to be able to serve the homes and businesses in the overbuilt area on a more cost-effective basis than us. Any such overbuild operation would require either significant access to capital or access to facilities already in place that are capable of delivering cable television programming.

As of December 31, 2000, we are aware of overbuild situations in some of our cable systems. Approximately 139,000 basic customers, or 2% of our total basic customers, are passed by these overbuilds. Additionally, we have been notified that franchises have been awarded, and present potential overbuild situations, in other systems. Approximately 253,000, or 4% of our total customers, are located in areas with potential overbuilds. In response to such overbuilds, these systems have been designated priorities for the upgrade of cable plant and the launch of new and enhanced services. We

have upgraded many of these systems to at least 750 megahertz two-way HFC architecture, and anticipate upgrading the other systems to at least 750 megahertz by December 31, 2001.

**TELEPHONE COMPANIES AND UTILITIES.** The competitive environment has been significantly affected by technological developments and regulatory changes enacted under the 1996 Telecom Act, which was designed to enhance competition in the cable television and local telephone markets. Federal cross-ownership restrictions historically limited entry by local telephone companies into the cable business. The 1996 Telecom Act modified this cross-ownership restriction, making it possible for local exchange carriers, who have considerable resources, to provide a wide variety of video services competitive with services offered by cable systems.

Several telephone companies have obtained or are seeking cable franchises from local governmental authorities and are constructing cable systems. Cross-subsidization by local exchange carriers of video and telephony services poses a strategic advantage over cable operators seeking to compete with local exchange carriers that provide video services. Some local exchange carriers may choose to make broadband services available under the open video regulatory framework of the Federal Communications Commission or through wireless technology. In addition, local exchange carriers provide facilities for the transmission and distribution of voice and data services, including Internet services, in competition with our existing or potential interactive services ventures and businesses, including Internet service, as well as data and other non-video services. We cannot predict the likelihood of success of the broadband services offered by our competitors or the impact on us of such competitive ventures. Although enthusiasm on the part of local exchange carriers appears to have waned in recent months, the entry of telephone companies as direct competitors in the video marketplace may become more widespread and could adversely affect the profitability and valuation of established cable systems.

As we expand our offerings to include Internet access and other telecommunications services, we will be subject to competition from other telecommunications providers. The telecommunications industry is highly competitive and includes competitors with greater financial and personnel resources, who have brand name recognition and long-standing relationships with regulatory authorities. Moreover, mergers, joint ventures and alliances among franchise, wireless or private cable operators, local exchange carriers and others may result in providers capable of offering cable television, Internet, and telecommunications services in direct competition with us.

Additionally, we are subject to competition from utilities which possess fiber optic transmission lines capable of transmitting signals with minimal signal distortion.

**PRIVATE CABLE.** Additional competition is posed by satellite master antenna television systems known as "SMATV systems" serving multiple dwelling units, referred to in the cable industry as "MDUs", such as condominiums, apartment complexes, and private residential communities. These private cable systems may enter into exclusive agreements with such MDUs, which may preclude operators of franchise systems from serving residents of such private complexes. Private cable systems can offer both improved reception of local television stations and many of the same satellite-delivered program services which are offered by cable systems. SMATV systems currently benefit from operating advantages not available to franchised cable systems, including fewer regulatory burdens and no requirement to service low density or economically depressed communities. Exemption from regulation may provide a competitive advantage to certain of our current and potential competitors. The Federal Communications Commission ruled in 1998 that private cable operators can lease video distribution capacity from local telephone companies and distribute cable programming services over public rights-of-way without obtaining a cable franchise. In 1999, both the Fifth and Seventh Circuit Courts of Appeals upheld this Federal Communications Commission policy.

**WIRELESS DISTRIBUTION.** Cable television systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems or "wireless cable," known as MMDS. MMDS uses low-power microwave frequencies to transmit television programming over-the-air to

paying customers. Wireless distribution services generally provide many of the programming services provided by cable systems, and digital compression technology is likely to increase significantly the channel capacity of their systems. Both analog and digital MMDS services require unobstructed "line of sight" transmission paths. Analog MMDS has impacted our customer growth in Riverside and Sacramento, California and Missoula, Montana. Digital MMDS is a more significant competitor, presenting potential challenges to us in Los Angeles, California and Atlanta, Georgia.

#### PROPERTIES

Our principal physical assets consist of a cable television distribution plant and equipment, including signal receiving, encoding and decoding devices, headend reception facilities, distribution systems and customer drop equipment for each of our cable television systems.

Our cable television plant and related equipment are generally attached to utility poles under pole rental agreements with local public utilities and telephone companies, and in certain locations are buried in underground ducts or trenches. We own or lease real property for signal reception sites and business offices in many of the communities served by our systems and for our principal executive offices. We own most of our service vehicles.

Our subsidiaries own the real property and buildings for our regional data center and call centers and our regional and divisional administrative offices. Our subsidiaries generally have leased space for business offices throughout our operating regions, although an increasing number of our systems are now purchasing property for system offices. Our headend locations are generally located on owned or leased parcels of land, and we generally own the towers on which our equipment is located.

We believe that our properties are in good operating condition and are suitable for our business operations.

#### EMPLOYEES

During 2000, pursuant to a mutual services agreement between Charter Communications, Inc. and Charter Investment, Inc., Charter Investment leased the necessary personnel and provided services to Charter Communications, Inc. to manage Charter Communications Holding Company and its subsidiaries, including us. Effective January 1, 2001, Charter Investment personnel became employees of Charter Communications Holding Company and the mutual services agreement was amended to add Charter Communications Holding Company as a party and provide that both Charter Investment and Charter Communications Holding Company will provide services to Charter Communications, Inc. on a cost reimbursement basis.

Charter Communications, Inc. currently has only 15 employees, all of whom are senior management. The corporate office also includes employees of Charter Communications Holding Company. The corporate office is responsible for coordinating and overseeing our operations, including certain critical functions, such as marketing and engineering, that are conducted by personnel at the regional and local system level. The corporate office also performs certain financial control functions such as accounting, finance and acquisitions, payroll and benefit administration, internal audit, purchasing and programming contract administration on a centralized basis.

As of December 31, 2000, we had approximately 13,490 full-time equivalent employees of which approximately 300 were represented by collective bargaining agreements. We believe we have a good relationship with our employees and have never experienced a work stoppage.

#### LEGAL PROCEEDINGS

We are involved from time to time in routine legal matters and other claims incidental to our business. We believe that the resolution of such matters, taking into account established reserves and insurance, will not have a material adverse impact on our consolidated financial position or results of operations.

## REGULATION AND LEGISLATION

The following summary addresses the key regulatory developments and legislation affecting the cable industry.

The operation of a cable system is extensively regulated by the Federal Communications Commission, some state governments and most local governments. The Federal Communications Commission has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of Federal Communications Commission licenses needed to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act has altered the regulatory structure governing the nation's communications providers. It removed barriers to competition in both the cable television market and the local telephone market. Among other things, it also reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the Federal Communications Commission to undertake a host of implementing rulemakings. Moreover, Congress and the Federal Communications Commission have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect our operations, and there have been calls in Congress and at the Federal Communications Commission to maintain or even tighten cable regulation in the absence of widespread effective competition.

**CABLE RATE REGULATION.** The 1992 Cable Act imposed an extensive rate regulation regime on the cable television industry, which limited the ability of cable companies to increase subscriber fees. Under that regime, all cable systems were subjected to rate regulation, unless they faced "effective competition" in their local franchise area. Federal law defines "effective competition" on a community-specific basis as requiring satisfaction of conditions not typically satisfied in the current marketplace.

Although the Federal Communications Commission established the underlying regulatory scheme, local government units, commonly referred to as local franchising authorities, are primarily responsible for administering the regulation of the lowest level of cable service--the basic service tier, which typically contains local broadcast stations and public, educational, and government access channels. Before a local franchising authority begins basic service rate regulation, it must certify to the Federal Communications Commission that it will follow applicable federal rules. Many local franchising authorities have voluntarily declined to exercise their authority to regulate basic service rates. Local franchising authorities also have primary responsibility for regulating cable equipment rates. Under federal law, charges for various types of cable equipment must be unbundled from each other and from monthly charges for programming services.

As of December 31, 2000, approximately 17% of our local franchising authorities were certified to regulate basic tier rates. The 1992 Cable Act permits communities to certify and regulate rates at any time, so that it is possible that additional localities served by the systems may choose to certify and regulate basic rates in the future.

The Federal Communications Commission historically administered rate regulation of cable programming service tiers, which are the expanded basic programming packages that offer services other than basic programming and which typically contain satellite-delivered programming. As of December 31, 2000, we had cable programming service tier rate complaints relating to approximately 414,000 customers pending at the Federal Communications Commission. Under the 1996 Telecom Act, however, the Federal Communications Commission's authority to regulate cable programming service tier rates expired on March 31, 1999. The Federal Communications Commission has taken

the position that it will still adjudicate pending cable programming service tier complaints but will strictly limit its review, and possible refund orders, to the time period until March 31, 1999. We do not believe any adjudications regarding these complaints will have a material adverse effect on our business. The elimination of cable programming service tier regulation affords us substantially greater pricing flexibility.

Under the rate regulations of the Federal Communication Commission, most cable systems were required to reduce their basic service tier and cable programming service tier rates in 1993 and 1994, and have since had their rate increases governed by a complicated price cap scheme that allows for the recovery of inflation and certain increased costs, as well as providing some incentive for expanding channel carriage. Operators also have the opportunity to bypass this "benchmark" regulatory scheme in favor of traditional "cost-of-service" regulation in cases where the latter methodology appears favorable. Cost of service regulation is a traditional form of rate regulation, under which a utility is allowed to recover its costs of providing the regulated service, plus a reasonable profit. The Federal Communications Commission and Congress have provided various forms of rate relief for smaller cable systems owned by smaller operators. Premium cable services offered on a per-channel or per-program basis remain unregulated. However, federal law requires that the basic service tier be offered to all cable subscribers and limits the ability of operators to require purchase of any cable programming service tier if a customer seeks to purchase premium services offered on a per-channel or per-program basis, subject to a technology exception which expires in 2002.

As noted above, Federal Communications Commission regulation of cable programming service tier rates for all systems, regardless of size, expired pursuant to the 1996 Telecom Act on March 31, 1999. As a result, the regulatory requirements just discussed are now essentially applicable only to the basic service tier and cable equipment. The 1996 Telecom Act also relaxes existing "uniform rate" requirements by specifying that uniform rate requirements do not apply where the operator faces "effective competition," and by exempting bulk discounts to multiple dwelling units, although complaints about predatory pricing still may be made to the Federal Communications Commission.

**CABLE ENTRY INTO TELECOMMUNICATIONS.** The 1996 Telecom Act creates a more favorable environment for us to provide telecommunications services beyond traditional video delivery. It provides that no state or local laws or regulations may prohibit or have the effect of prohibiting any entity from providing any interstate or intrastate telecommunications service. A cable operator is authorized under the 1996 Telecom Act to provide telecommunications services without obtaining a separate local franchise. States are authorized, however, to impose "competitively neutral" requirements regarding universal service, public safety and welfare, service quality, and consumer protection. State and local governments also retain their authority to manage the public rights-of-way and may require reasonable, competitively neutral compensation for management of the public rights-of-way when cable operators provide telecommunications service. The favorable pole attachment rates afforded cable operators under federal law can be gradually increased by utility companies owning the poles, beginning in 2001, if the operator provides telecommunications service, as well as cable service, over its plant. The Federal Communications Commission clarified that a cable operator's favorable pole rates are not endangered by the provision of Internet access, but a recent decision by the Eleventh Circuit Court of Appeals disagreed and suggested that Internet traffic is neither cable service nor telecommunications service and might leave cable attachments that carry Internet traffic ineligible for Pole Attachment Act protections. This decision could lead to substantial increases in pole attachment rates, and certain utilities have already proposed vastly higher pole attachment rates based in part on the existing court decision. The United States Supreme Court is now reviewing this decision and the Eleventh Circuit mandate has been stayed pending Supreme Court action.

Cable entry into telecommunications will be affected by the rulings and regulations implementing the 1996 Telecom Act, including the rules governing interconnection. A cable operator offering



telecommunications services generally needs efficient interconnection with other telephone companies to provide a viable service. A number of details designed to facilitate interconnection are subject to ongoing regulatory and judicial review, but the basic obligation of incumbent telephone companies to interconnect with competitors, such as cable companies offering telephone service, is well established. Even so, the economic viability of different interconnection arrangements can be greatly affected by regulatory changes. Consequently, we cannot predict whether reasonable interconnection terms will be available in any particular market we may choose to enter.

**INTERNET SERVICE.** Although there is at present no significant federal regulation of cable system delivery of Internet services, and the Federal Communications Commission has issued several reports finding no immediate need to impose such regulation, this situation may change as cable systems expand their broadband delivery of Internet services. In particular, proposals have been advanced at the Federal Communications Commission and Congress that would require cable operators to provide access to unaffiliated Internet service providers and online service providers. The Federal Communications Commission rejected a petition by certain Internet service providers attempting to use existing access rules designed for video programming service providers to gain access to cable system delivery. The Federal Trade Commission and the Federal Communications Commission recently imposed certain "open-access" requirements on Time Warner and AOL in connection with their merger, but those requirements are not applicable to other cable operators.

Some states and local franchising authorities are considering the imposition of mandatory Internet access requirements as part of cable franchise renewals or transfers and a few local jurisdictions have adopted these requirements. In June 2000, the Ninth Circuit Court of Appeals rejected an attempt by the City of Portland, Oregon to impose mandatory Internet access requirements on the local cable operator. In reversing a contrary ruling by the lower court, the Ninth Circuit court held that Internet service was not a cable service, and therefore could not be subject to local cable franchising. At the same time, the court suggested that at least the transport component of broadband Internet service could be subject to regulation as a "telecommunications" service. Although regulation of this form of telecommunications service would presumably be reserved for the Federal Communications Commission (which has so far resisted requests for active regulation), some states may argue that they are entitled to impose "open-access" requirements pursuant to their authority over intrastate telecommunications. In addition, some local governments may argue that a cable operator must secure a local telecommunications franchise before providing Internet service. In response to the Ninth Circuit decision, the Federal Communications Commission has initiated a new proceeding to categorize cable-delivered Internet service and perhaps establish an appropriate regulatory scheme. In July 2001, the Fourth Circuit Court of Appeals struck down another "open access" requirement as violating the Communications Act's prohibition against local cable franchises mandating the provision of telecommunications facilities. The court did not, however, decide whether Internet service itself is a cable service, a telecommunications service, or an information service. It deferred the issue to the pending FCC proceeding.

The two circuit court decisions are now the leading cases on the issue and, along with a Florida district court decision, they strongly suggest that local authorities cannot mandate "open access" on cable franchises. If regulators were allowed to impose Internet access requirements on cable operators, it could burden the capacity of cable systems and complicate our own plans for providing Internet service.

**TELEPHONE COMPANY ENTRY INTO CABLE TELEVISION.** The 1996 Telecom Act allows telephone companies to compete directly with cable operators by repealing the historic telephone company/cable cross-ownership ban. Local exchange carriers, including the regional telephone companies, can now compete with cable operators both inside and outside their telephone service areas with certain regulatory safeguards. Because of their resources, local exchange carriers could be

formidable competitors to traditional cable operators. Various local exchange carriers already are providing video programming services within their telephone service areas through a variety of distribution methods, including both the deployment of broadband wire facilities and the use of wireless transmission.

Under the 1996 Telecom Act, local exchange carriers or any other cable competitor providing video programming to subscribers through broadband wire should be regulated as a traditional cable operator, subject to local franchising and federal regulatory requirements, unless the local exchange carrier or other cable competitor elects to deploy its broadband plant as an open video system (OVS). To qualify for favorable open video system status, the competitor must reserve two-thirds of the system's activated channels for unaffiliated entities. The Fifth Circuit Court of Appeals reversed certain of the Federal Communications Commission's open video system rules, including its preemption of local franchising. The Federal Communications Commission subsequently revised its OVS rules to eliminate this general preemption, thereby leaving franchising discretion to state and local authorities. It is unclear what effect this ruling will have on the entities pursuing open video system operation.

Although local exchange carriers and cable operators can now expand their offerings across traditional service boundaries, the general prohibition remains on local exchange carrier buyouts of co-located cable systems. Co-located cable systems are cable systems serving an overlapping territory. Cable operator buyouts of co-located local exchange carrier systems, and joint ventures between cable operators and local exchange carriers in the same market are also prohibited. The 1996 Telecom Act provides a few limited exceptions to this buyout prohibition, including a carefully circumscribed "rural exemption." The 1996 Telecom Act also provides the Federal Communications Commission with the limited authority to grant waivers of the buyout prohibition.

ELECTRIC UTILITY ENTRY INTO TELECOMMUNICATIONS/CABLE TELEVISION. The 1996 Telecom Act provides that registered utility holding companies and subsidiaries may provide telecommunications services, including cable television, notwithstanding the Public Utility Holding Company Act. Electric utilities must establish separate subsidiaries, known as "exempt telecommunications companies" and must apply to the Federal Communications Commission for operating authority. Like telephone companies, electric utilities have substantial resources at their disposal, and could be formidable competitors to traditional cable systems. Several such utilities have been granted broad authority by the Federal Communications Commission to engage in activities which could include the provision of video programming.

ADDITIONAL OWNERSHIP RESTRICTIONS. The 1996 Telecom Act eliminates statutory restrictions on broadcast/cable cross-ownership, including broadcast network/cable restrictions, but leaves in place existing Federal Communications Commission regulations prohibiting local cross-ownership between co-located television stations and cable systems.

Pursuant to the 1992 Cable Act, the Federal Communications Commission adopted rules precluding a cable system from devoting more than 40% of its activated channel capacity to the carriage of affiliated national video program services. Also pursuant to the 1992 Cable Act, the Federal Communications Commission adopted rules that preclude any cable operator from serving more than 30% of all U.S. domestic multichannel video subscribers, including cable and direct broadcast satellite subscribers. The D.C. District Court of Appeals recently struck down these vertical and horizontal ownership limits as unconstitutional, concluding that the Federal Communications Commission had not adequately justified the specific rules (i.e., the 40% and 30% figures) adopted. As a result, an existing divestiture requirement on AT&T was suspended. The Federal Communications Commission is now considering replacement regulations.

**MUST CARRY/RETRANSMISSION CONSENT.** The 1992 Cable Act contains broadcast signal carriage requirements. Broadcast signal carriage is the transmission of broadcast television signals over a cable system to cable customers. These requirements, among other things, allow local commercial television broadcast stations to elect once every three years between "must carry" status or "retransmission consent" status. Less popular stations typically elect must carry, which is the broadcast signal carriage requirement that allows local commercial television broadcast stations to require a cable system to carry the station. More popular stations, such as those affiliated with a national network, typically elect retransmission consent which is the broadcast signal carriage requirement that allows local commercial television broadcast stations to negotiate for payments for granting permission to the cable operator to carry the stations. Must carry requests can dilute the appeal of a cable system's programming offerings because a cable system with limited channel capacity may be required to forego carriage of popular channels in favor of less popular broadcast stations electing must carry. Retransmission consent demands may require substantial payments or other concessions. Either option has a potentially adverse effect on our business. The burden associated with must carry may increase substantially if broadcasters proceed with planned conversion to digital transmission and the Federal Communications Commission determines that cable systems must carry all analog and digital broadcasts in their entirety. This burden would reduce capacity available for more popular video programming and new Internet and telecommunication offerings. The Federal Communications Commission tentatively decided against imposition of dual digital and analog must carry in a January 2001 ruling. At the same time, however, it initiated further fact-gathering which ultimately could lead to a reconsideration of the tentative conclusion.

**ACCESS CHANNELS.** Local franchising authorities can include franchise provisions requiring cable operators to set aside certain channels for public, educational and governmental access programming. Federal law also requires cable systems to designate a portion of their channel capacity, up to 15% in some cases, for commercial leased access by unaffiliated third parties. The Federal Communications Commission has adopted rules regulating the terms, conditions and maximum rates a cable operator may charge for commercial leased access use. We believe that requests for commercial leased access carriages have been relatively limited. The Federal Communications Commission recently rejected a request that unaffiliated Internet service providers be found eligible for commercial leased access.

**ACCESS TO PROGRAMMING.** To spur the development of independent cable programmers and competition to incumbent cable operators, the 1992 Cable Act imposed restrictions on the dealings between cable operators and cable programmers. Of special significance from a competitive business posture, the 1992 Cable Act precludes video programmers affiliated with cable companies from favoring their cable operators over new competitors and requires such programmers to sell their programming to other multichannel video distributors. This provision limits the ability of vertically integrated cable programmers to offer exclusive programming arrangements to cable companies. This prohibition is scheduled to expire in October 2002, unless the Federal Communications Commission determines that an extension is necessary to protect competition and diversity. There also has been interest expressed in further restricting the marketing practices of cable programmers, including subjecting programmers who are not affiliated with cable operators to all of the existing program access requirements, and subjecting terrestrially-delivered programming to the program access requirements. Terrestrially-delivered programming is programming delivered other than by satellite and is currently exempt from the ban on exclusivity. These changes should not have a dramatic impact on us, but would limit potential competitive advantages we now enjoy. Pursuant to the Satellite Home Viewer Improvement Act, the Federal Communications Commission has adopted regulations governing retransmission consent negotiations between broadcasters and all multichannel video programming distributors, including cable and DBS.

**INSIDE WIRING; SUBSCRIBER ACCESS.** In an order issued in 1997, the Federal Communications Commission established rules that require an incumbent cable operator upon expiration of a multiple

dwelling unit service contract to sell, abandon, or remove "home run" wiring that was installed by the cable operator in a multiple dwelling unit building. These inside wiring rules are expected to assist building owners in their attempts to replace existing cable operators with new programming providers who are willing to pay the building owner a higher fee, where such a fee is permissible. The Federal Communications Commission has also proposed terminating all exclusive multiple dwelling unit service agreements held by incumbent operators, but allowing such contracts when held by new entrants. In another proceeding, the Federal Communications Commission has preempted restrictions on the deployment of private antennae on rental property within the exclusive use of a tenant, such as balconies and patios. This Federal Communications Commission ruling may limit the extent to which we along with multiple dwelling unit owners may enforce certain aspects of multiple dwelling unit agreements which otherwise prohibit, for example, placement of digital broadcast satellite receiver antennae in multiple dwelling unit areas under the exclusive occupancy of a renter. These developments may make it even more difficult for us to provide service in multiple dwelling unit complexes.

OTHER REGULATIONS OF THE FEDERAL COMMUNICATIONS COMMISSION. In addition to the Federal Communications Commission regulations noted above, there are other regulations of the Federal Communications Commission covering such areas as:

- equal employment opportunity,
- subscriber privacy,
- programming practices, including, among other things,
  - (1) syndicated program exclusivity, which is a Federal Communications Commission rule which requires a cable system to delete particular programming offered by a distant broadcast signal carried on the system which duplicates the programming for which a local broadcast station has secured exclusive distribution rights,
  - (2) network program nonduplication,
  - (3) local sports blackouts,
  - (4) indecent programming,
  - (5) lottery programming,
  - (6) political programming,
  - (7) sponsorship identification,
  - (8) children's programming advertisements, and
  - (9) closed captioning,
- registration of cable systems and facilities licensing,
- maintenance of various records and public inspection files,
- aeronautical frequency usage,
- lockbox availability,
- antenna structure notification,
- tower marking and lighting,
- consumer protection and customer service standards,
- technical standards,

- consumer electronics equipment compatibility, and
- emergency alert systems.

The Federal Communications Commission recently ruled that cable customers must be allowed to purchase set-top terminals from third parties and established a multi-year phase-in during which security functions, which would remain in the operator's exclusive control, would be unbundled from basic converter functions, which could then be satisfied by third party vendors. The first phase implementation date was July 1, 2000. Compliance was technically and operationally difficult in some locations, so we and several other cable operators filed a request at the Federal Communications Commission that the requirement be waived in those systems. The request resulted in a temporary deferral of the compliance deadline for those systems.

The Federal Communications Commission recently initiated an inquiry to determine whether the cable industry's future provision of interactive services should be subject to regulations ensuring equal access and competition among service vendors. The inquiry, which grew out of the Commission's review of the AOL-Time Warner merger, is in its earliest stages, but is yet another expression of regulatory concern regarding control over cable capacity.

**COPYRIGHT.** Cable television systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool that varies depending on the size of the system, the number of distant broadcast television signals carried, and the location of the cable system, cable operators can obtain blanket permission to retransmit copyrighted material included in broadcast signals. The U.S. copyright office recently adopted an industry agreement providing for a modest increase in the copyright royalty rates. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative review and could adversely affect our ability to obtain desired broadcast programming. We cannot predict the outcome of this legislative activity. Copyright clearances for nonbroadcast programming services are arranged through private negotiations.

Cable operators distribute locally originated programming and advertising that use music controlled by the two principal major music performing rights organizations, the American Society of Composers, Authors and Publishers and Broadcast Music, Inc. The cable industry has had a long series of negotiations and adjudications with both organizations. A prior voluntarily negotiated agreement with Broadcast Music has now expired, and is subject to further proceedings. The governing rate court recently set retroactive and prospective cable industry rates for American Society of Composers music based on the previously negotiated Broadcast Music rate. Although we cannot predict the ultimate outcome of these industry proceedings or the amount of any license fees we may be required to pay for past and future use of association-controlled music, we do not believe such license fees will be significant to our business and operations.

**STATE AND LOCAL REGULATION.** Cable systems generally are operated pursuant to nonexclusive franchises granted by a municipality or other state or local government entity in order to cross public rights-of-way. Federal law now prohibits local franchising authorities from granting exclusive franchises or from unreasonably refusing to award additional franchises. Cable franchises generally are granted for fixed terms and in many cases include monetary penalties for non-compliance and may be terminable if the franchisee fails to comply with material provisions.

The specific terms and conditions of franchises vary materially between jurisdictions. Each franchise generally contains provisions governing cable operations, service rates, franchising fees, system construction and maintenance obligations, system channel capacity, design and technical performance, customer service standards, and indemnification protections. A number of states, including Connecticut, subject cable systems to the jurisdiction of centralized state governmental

agencies, some of which impose regulation of a character similar to that of a public utility. Although local franchising authorities have considerable discretion in establishing franchise terms, there are certain federal limitations. For example, local franchising authorities cannot insist on franchise fees exceeding 5% of the system's gross cable-related revenues, cannot dictate the particular technology used by the system, and cannot specify video programming other than identifying broad categories of programming. Certain states are considering the imposition of new broadly applied telecommunications taxes.

Federal law contains renewal procedures designed to protect incumbent franchisees against arbitrary denials of renewal. Even if a franchise is renewed, the local franchising authority may seek to impose new and more onerous requirements such as significant upgrades in facilities and service or increased franchise fees as a condition of renewal. Similarly, if a local franchising authority's consent is required for the purchase or sale of a cable system or franchise, such local franchising authority may attempt to impose more burdensome or onerous franchise requirements in connection with a request for consent. Historically, most franchises have been renewed for and consents granted to cable operators that have provided satisfactory services and have complied with the terms of their franchise.

Under the 1996 Telecom Act, states and local franchising authorities are prohibited from limiting, restricting, or conditioning the provision of competitive telecommunications services, except for certain "competitively neutral" requirements and as necessary to manage the public rights-of-way. This law should facilitate entry into competitive telecommunications services, although certain jurisdictions still may attempt to impose rigorous entry requirements. In addition, local franchising authorities may not require a cable operator to provide any telecommunications service or facilities, other than institutional networks under certain circumstances, as a condition of an initial franchise grant, a franchise renewal, or a franchise transfer. The 1996 Telecom Act also provides that franchising fees are limited to an operator's cable-related revenues and do not apply to revenues that a cable operator derives from providing new telecommunications services.

## MANAGEMENT

## DIRECTORS

Charter Holdings is a holding company with no operations. Charter Capital is a direct wholly owned finance subsidiary of Charter Holdings that exists solely for the purpose of serving as co-obligor of the notes and the March 1999, January 2000, January 2001 Charter Holdings notes, and has no operations. Neither Charter Holdings nor Charter Capital has any employees. We and our direct and indirect subsidiaries are managed by Charter Communications, Inc. See "Certain Relationships and Related Transactions."

Charter Holdings has two directors, Jerald L. Kent and William D. Savoy. The persons listed below are directors of Charter Communications, Inc., Charter Communications Holding Company, Charter Holdings or Charter Capital, as indicated. All of Charter Communications, Inc.'s directors are elected annually.

DIRECTORS POSITION(S) - ----  
 ----- Paul G.  
 Allen.....  
 Chairman of the Board of  
 Directors of Charter  
 Communications, Inc. and  
 Director of Charter  
 Communications Holding  
 Company William D.  
 Savoy.....  
 Director of Charter  
 Communications, Inc.,  
 Charter Communications  
 Holding Company and Charter  
 Holdings Jerald L.  
 Kent.....  
 Director of Charter  
 Communications, Inc.,  
 Charter Communications  
 Holding Company, Charter  
 Holdings and Charter Capital  
 Marc B.  
 Nathanson.....  
 Director of Charter  
 Communications, Inc. Ronald  
 L.  
 Nelson.....  
 Director of Charter  
 Communications, Inc. Nancy  
 B.  
 Peretsman.....  
 Director of Charter  
 Communications, Inc. Howard  
 L.  
 Wood.....  
 Director of Charter  
 Communications, Inc.

The following sets forth certain biographical information with respect to the directors listed above.

PAUL G. ALLEN, 48, has been Chairman of the Board of Directors of Charter Communications, Inc. since July 1999, and Chairman of the board of directors of Charter Investment, Inc. (a predecessor to, and currently an affiliate of, Charter Communications, Inc.) since December 1998. Mr. Allen, a co-founder of Microsoft Corporation, has been a private investor for more than five years, with interests in over 140 companies, many of which contribute to the Wired World vision that we share. Mr. Allen's investments include Vulcan Ventures Incorporated, Portland Trail Blazers NBA team, Seattle Seahawks NFL franchise, Vulcan Programming, Inc. and Vulcan Cable III Inc., and he has investments in USA Networks, Inc., TechTV, L.L.C., Dreamworks LLC, a multi-media entertainment company, High Speed Access Corp., Wink Communications, Inc. and Oxygen Media, LLC. He is a director of USA Networks, Inc., TechTV, L.L.C. and numerous privately held companies.

JERALD L. KENT, 45, has been the President, Chief Executive Officer and a director of Charter Communications, Inc. since July 1999 and of Charter Investment since April 1995. He previously held the position of chief financial officer of Charter Investment. Prior to co-founding Charter Investment in 1993,

Mr. Kent was executive vice president and chief financial officer of Cencom Cable Associates, Inc. Before that, he held other executive positions at Cencom. Earlier, he was with Arthur Andersen LLP, where he attained the position of tax manager. Mr. Kent is a member of the board of directors of Cable Television Laboratories, Inc., Com21 Inc. and C-Span. He is also a member of the executive committee and the board of directors of the National Cable Television Association. Mr. Kent, a certified public accountant, received his undergraduate and M.B.A. degrees



from Washington University (St. Louis). Mr. Kent's employment agreement provides that he serve on the board of directors of Charter Communications, Inc. See "Certain Relationships and Related Transactions -- Employment and Consulting Arrangements."

MARC B. NATHANSON, 55, has been a director of Charter Communications, Inc. since January 2000. Mr. Nathanson is the chairman of Mapleton Investments LLC, an investment vehicle formed in 1999. He also founded and served as chairman and chief executive officer of Falcon Holding Group, Inc., a cable operator, and its predecessors, from 1975 until 1999. He served as chairman and chief executive officer of Enstar Communications Corporation, a cable operator, from 1988 until November 1999. Prior to 1975, Mr. Nathanson held executive positions with Teleprompter Corporation, Warner Cable and Cypress Communications Corporation. In 1995, he was appointed by the President of the United States, and since 1998 has served as chairman of The Broadcasting Board of Governors. Pursuant to a May 1999 letter agreement, Mr. Nathanson serves as Vice-Chairman and as a director of Charter Communications, Inc. See "Certain Relationships and Related Transactions -- Employment and Consulting Arrangements."

RONALD L. NELSON, 48, has been a director of Charter Communications, Inc. since November 1999. Mr. Nelson is a founding member of Dreamworks LLC, where he has served in executive management since 1994. Prior to that time, during his 15 years at Paramount Communications Inc., he served in a variety of operating and executive positions. He currently serves as a member of the board of directors of Advanced Tissue Sciences, Inc. and Centre Pacific, L.L.C., a registered investment advisor. Mr. Nelson has a B.S. degree from the University of California at Berkeley and an M.B.A. degree from the University of California at Los Angeles.

NANCY B. PERETSMAN, 47, has been a director of Charter Communications, Inc. since November 1999. Ms. Peretsman has been a managing director and executive vice president of Allen & Company Incorporated, an investment bank unrelated to Paul G. Allen, since 1995. From 1983 to 1995, she was an investment banker at Salomon Brothers Inc., where she was a managing director since 1990. She is a director of Priceline.com Incorporated and several privately held companies. She has a B.A. degree from Princeton University and an M.P.P.M. degree from Yale University.

WILLIAM D. SAVOY, 36, has been a director of Charter Communications, Inc. since July 1999 and a director of Charter Investment since December 1998. Since 1990, Mr. Savoy has been an officer and a director of many affiliates of Mr. Allen, including vice president and a director of Vulcan Ventures Incorporated, president of Vulcan Northwest, Inc., and president and a director of Vulcan Programming, Inc. and Vulcan Cable III Inc. Mr. Savoy also serves on the advisory board of Dreamworks LLC and as a director of drugstore.com, Metricom, Inc., Peregrine Systems, Inc., RCN Corporation, Telescan, Inc., USA Networks, Inc., TechTV, L.L.C. and Digeo, Inc. Mr. Savoy holds a B.S. degree in computer science, accounting and finance from Atlantic Union College.

HOWARD L. WOOD, 62, has been a director of Charter Communications, Inc. since January 2000. Mr. Wood co-founded Charter Investment in 1993 and served in various executive capacities there until November 1999, when he became a consultant to Charter Communications, Inc. Prior to 1993, Mr. Wood was chief executive officer of Cencom Cable Associates, Inc., where he also served in various other executive positions. Earlier he was partner-in-charge of the St. Louis Tax Division of Arthur Andersen LLP. He is a director of First State Community Bank, Gaylord Entertainment Company and Data Research, Inc. Mr. Wood, a certified public accountant, graduated from Washington University (St. Louis) School of Business.

## COMMITTEES OF THE BOARD OF CHARTER COMMUNICATIONS, INC.

The Audit Committee oversees Charter Communications, Inc.'s internal accounting and auditing procedures, reviews audit and examination results and procedures with independent accountants, oversees reporting of financial information including review of quarterly and annual financial information prior to filing with the SEC, determines the objectivity and independence of the independent accountants and makes recommendations to the board of directors as to selection of independent accountants. The members of the Audit Committee are Ronald L. Nelson, Nancy B. Peretsman and Howard L. Wood. The Audit Committee's functions are detailed in a written Audit Committee Charter adopted by the board of directors.

The Compensation Committee was formed in February 2000 for the purpose of reviewing and approving compensation and benefits programs, and approving compensation for senior management of Charter Communications, Inc. and its affiliates and subsidiaries. The members of the Compensation Committee are Paul G. Allen, Marc B. Nathanson, William D. Savoy and Howard L. Wood.

The Option Plan Committee was formed in June 2000 for the purpose of administering the 1999 Option Plan. The Option Plan Committee was also appointed by the board of directors of Charter Communications, Inc. to administer the 2001 Stock Incentive Plan and Jerald L. Kent acts as a special committee for the 2001 Stock Incentive Plan to approve grants to eligible individuals below the Senior Vice President level. The Option Plan Committee consists of directors Nancy B. Peretsman and Ronald L. Nelson.

The Executive Committee may act in place of the full board of directors and exercise such powers of the full board as the board may delegate to such committee from time to time. The Executive Committee consists of directors Paul G. Allen, Jerald L. Kent and William D. Savoy.

## DIRECTOR COMPENSATION

Mr. Kent, the only director who is also an employee of Charter Communications, Inc., does not receive any additional compensation for serving as a director or attending any meeting of the board of directors. Each non-employee director, other than Mr. Allen, was issued 40,000 fully vested options for agreeing to join the board of directors of Charter Communications, Inc. All non-employee directors of Charter Communications, Inc. received an annual grant of 10,000 vested options in February 2001. All directors of Charter Communications, Inc. are entitled to reimbursement for costs incurred in connection with attendance at board and committee meetings and may receive additional compensation to be determined.

Mr. Kent is a party to an employment agreement with Charter Communications, Inc. Mr. Wood is a party to a consulting agreement with Charter Communications, Inc. and Mr. Nathanson is a party to a letter agreement with Charter Communications, Inc. These agreements are summarized in "Certain Relationships and Related Transactions -- Employment and Consulting Arrangements."

## EXECUTIVE OFFICERS

The following persons are executive officers of each of Charter Communications, Inc., Charter Communications Holding Company and the issuers of the notes:

## EXECUTIVE OFFICERS

POSITION - -----  
 ----- Jerald L.  
 Kent.....  
 President and Chief  
 Executive Officer David  
 G.  
 Barford.....  
 Executive Vice President  
 and Chief Operating  
 Officer David C.  
 Andersen.....  
 Senior Vice President --  
 Communications Mary Pat  
 Blake.....  
 Senior Vice President --  
 Marketing and Charter  
 Media Eric A.  
 Freesmeier.....  
 Senior Vice President --  
 Administration Thomas R.  
 Jokerst.....  
 Senior Vice President --  
 Advanced Technology  
 Development Kent D.  
 Kalkwarf.....  
 Executive Vice President  
 and Chief Financial  
 Officer Ralph G.  
 Kelly.....  
 Senior Vice President --  
 Treasurer David L.  
 McCall.....  
 Senior Vice President of  
 Operations -- Eastern  
 Division Majid R.  
 Mir.....  
 Senior Vice President --  
 Telephony and Advanced  
 Services John C.  
 Pietri.....  
 Senior Vice President --  
 Engineering Michael E.  
 Riddle.....  
 Senior Vice President and  
 Chief Information Officer  
 Steven A.  
 Schumm.....  
 Executive Vice President,  
 Assistant to the  
 President Curtis S.  
 Shaw.....  
 Senior Vice President,  
 General Counsel and  
 Secretary Stephen E.  
 Silva.....  
 Senior Vice President --  
 Corporate Development and  
 Technology James (Trey)  
 H. Smith, III.....  
 Senior Vice President of  
 Operations -- Western  
 Division

Information regarding our executive officers is set forth below.

DAVID C. ANDERSEN, 52, Senior Vice President -- Communications. Prior to joining Charter Communications, Inc. in May 2000, Mr. Andersen served as vice president of Communications for CNBC, the worldwide cable and satellite business news network subsidiary of NBC. Before that, starting in 1982 when he established their public relations department, Mr. Andersen served in various

management positions at Cox Communications, Inc., most recently as vice president of Public Affairs. Mr. Andersen serves on the board of KIDSNET, and is a former chairman of the National Captioning Institute's Cable Advisory Board. He received a B.S. degree in Journalism from the University of Kansas.

DAVID G. BARFORD, 42, Executive Vice President and Chief Operating Officer. Mr. Barford was promoted to his current position in July 2000, having previously served as Senior Vice President of Operations -- Western Division. Prior to joining Charter Investment in 1995, Mr. Barford held various senior marketing and operating roles during nine years at Comcast Cable Communications, Inc. He received a B.A. degree from California State University, Fullerton, and an M.B.A. degree from National University.

MARY PAT BLAKE, 46, Senior Vice President -- Marketing and Charter Media. Prior to joining Charter Investment in 1995, Ms. Blake was active in the emerging business sector and formed Blake Investments, Inc. in 1993. She has 18 years of experience with senior management responsibilities in marketing, sales, finance, systems, and general management. Ms. Blake received a B.S. degree from the University of Minnesota and an M.B.A. degree from the Harvard Business School.

ERIC A. FREESMEIER, 48, Senior Vice President -- Administration. From 1986 until joining Charter Investment in 1998, Mr. Freesmeier served in various executive management positions at Edison Brothers Stores, Inc. Earlier he held management and executive positions at Montgomery

Ward. Mr. Freesmeier holds bachelor's degrees from the University of Iowa and a master's degree from Northwestern University's Kellogg Graduate School of Management.

THOMAS R. JOKERST, 52, Senior Vice President -- Advanced Technology Development. Mr. Jokerst joined Charter Investment in 1994. Previously he served as a vice president of Cable Television Laboratories and as a regional director of engineering for Continental Cablevision. Mr. Jokerst is a graduate of Ranken Technical Institute and of Southern Illinois University.

KENT D. KALKWARF, 41, Executive Vice President and Chief Financial Officer. Mr. Kalkwarf was promoted to the position of Executive Vice President in July 2000, having previously served as Senior Vice President. Prior to joining Charter Investment in 1995, Mr. Kalkwarf was employed for 13 years by Arthur Andersen LLP, where he attained the position of senior tax manager. He has extensive experience in cable, real estate and international tax issues. Mr. Kalkwarf has a B.S. degree from Illinois Wesleyan University and is a certified public accountant.

RALPH G. KELLY, 44, Senior Vice President -- Treasurer. Prior to joining Charter Investment in 1993, Mr. Kelly was controller and then treasurer of Cencom Cable Associates between 1984 and 1992. He left Charter Investment in 1994, to become chief financial officer of CableMaxx, Inc., and returned in 1996. Mr. Kelly received his bachelor's degree in accounting from the University of Missouri -- Columbia and his M.B.A. degree from Saint Louis University. Mr. Kelly is a certified public accountant.

JERALD L. KENT, 45, President, Chief Executive Officer and Director. Mr. Kent has held these positions with Charter Communications, Inc. since July 1999 and with Charter Investment since April 1995. He previously held the position of chief financial officer of Charter Investment. Prior to co-founding Charter Investment in 1993, Mr. Kent was executive vice president and chief financial officer of Cencom Cable Associates, Inc. Before that, he held other executive positions at Cencom. Earlier, he was with Arthur Andersen LLP, where he attained the position of tax manager. Mr. Kent is a member of the board of directors of Digeo, Inc., Cable Television Laboratories, Inc., Com21 Inc. and C-Span. He is also a member of the executive committee and the board of directors of the National Cable Television Association. Mr. Kent, a certified public accountant, received his undergraduate and M.B.A. degrees from Washington University (St. Louis).

DAVID L. MCCALL, 46, Senior Vice President -- Operations -- Eastern Division. Prior to joining Charter Investment in 1995, Mr. McCall was associated with Crown Cable and its predecessor company, Cencom Cable Associates, Inc., from 1983 to 1994. Mr. McCall is a member of the Southern Cable Association's Tower Club.

MAJID R. MIR, 50, Senior Vice President -- Telephony and Advanced Services. From 1999 until joining Charter Communications, Inc. in April 2001, Mr. Mir was employed by Genuity, Inc. where he was vice president for local fiber engineering. Prior to that, he was assistant vice president of global network infrastructure for GTE Internetworking. Mr. Mir has been working in the field of telephony since 1979. Mr. Mir earned a B.S. degree in computer science from the University of West Florida and an M.B.A. degree from the University of South Florida.

JOHN C. PIETRI, 51, Senior Vice President -- Engineering. Prior to joining Charter Investment in 1998, Mr. Pietri was with Marcus Cable for nine years, most recently serving as senior vice president and chief technical officer. Earlier he was in operations with West Marc Communications and Minnesota Utility Contracting. Mr. Pietri attended the University of Wisconsin-Oshkosh.

MICHAEL E. RIDDLE, 42, Senior Vice President and Chief Information Officer. Prior to joining Charter Communications, Inc. in December 1999, Mr. Riddle was director, applied technologies of Cox Communications for four years. Prior to that, he held technical and management positions

during 17 years at Southwestern Bell and its subsidiaries. Mr. Riddle attended Fort Hays State University.

STEVEN A. SCHUMM, 48, Executive Vice President and Assistant to the President. Prior to joining Charter Investment in 1998, Mr. Schumm was managing partner of the St. Louis office of Ernst & Young LLP for 14 years. He had joined Ernst & Young in 1974. He served as one of 10 members of the firm's National Tax Committee. Mr. Schumm earned a B.S. degree from Saint Louis University.

CURTIS S. SHAW, 52, Senior Vice President, General Counsel and Secretary. From 1988 until he joined Charter Investment in 1997, Mr. Shaw served as corporate counsel to NYNEX. Since 1973, Mr. Shaw has practiced as a corporate lawyer, specializing in mergers and acquisitions, joint ventures, public offerings, financings, and federal securities and antitrust law. Mr. Shaw received a B.A. degree from Trinity College and a J.D. degree from Columbia University School of Law.

STEPHEN E. SILVA, 41, Senior Vice President -- Corporate Development and Technology. Mr. Silva joined Charter Investment in 1995 and has also served as vice president responsible for billing services and new product development. Mr. Silva previously served in various management positions at U.S. Computer Services, Inc., a billing service provider specializing in the cable industry. He is a member of the board of directors of Diva Systems Corporation.

JAMES H. (TREY) SMITH, III, 53, Senior Vice President of Operations -- Western Division. Mr. Smith was appointed to his current position in September 2000, previously serving as a division president of AT&T Broadband. Before that, he was president and chief executive officer of Rogers Cablesystems Ltd., senior vice president of the Western Region for MediaOne/Continental Cable and executive vice president of operations for Times Mirror Cable TV, Inc. He received B.B.A. and M.B.A. degrees from Georgia State University and is a certified public accountant.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

In February 2000, the board of directors of Charter Communications, Inc. appointed a Compensation Committee comprised of Messrs. Allen, Savoy, Nathanson and Wood, and executive officer compensation matters, including option grants, were delegated to the Compensation Committee. In June 2000, the board of directors of Charter Communications, Inc. appointed Nancy B. Peretsman and Ronald L. Nelson to serve as a separate committee to administer the Charter Communications 1999 Option Plan.

During 2000 and through the date hereof, no member of the Compensation Committee or the Option Plan Committee was an officer or employee of Charter Communications, Inc. or any of its subsidiaries. Mr. Wood served as an officer of Charter Communications, Inc. for several months in 1999, and served as a consultant to Charter Communications, Inc. in 2000. Mr. Nathanson served as an officer of certain of Charter Communications, Inc.'s subsidiaries prior to their acquisition by Charter Communications, Inc. Transactions between Charter Communications, Inc. and certain members of the Compensation Committee are more fully described in "Certain Relationships and Related Transactions."

None of the executive officers of Charter Communications, Inc., Charter Communications Holding Company, or the issuers of the notes serve on the compensation committee of any other company that has an executive officer currently serving on the board of directors of Charter Communications, Inc. or any of its affiliates, the Compensation Committee or the Option Plan Committee.

#### EXECUTIVE COMPENSATION

The following table sets forth information regarding the compensation paid for services rendered in 2000 to executive officers of Charter Communications, Inc. for the fiscal years ended



Vice President  
1999 180,000  
80,000 -- 200,000  
2,586 and Chief  
Financial 1998  
135,000 55,000 --  
-- 7,768,091(8)  
Officer David L.  
McCall.....  
2000 225,000  
283,625 -- 25,000  
4,237 Senior Vice  
President of 1999  
149,656 108,800 -  
- 200,000 505  
Operations --  
Eastern 1998  
133,414 107,180 -  
- -- 4,193,495(8)  
Division

- 
- (1) Includes "stay" bonus of \$321,000 for Mr. Schumm and \$160,500 for each of Messrs. Barford, Kalkwarf and McCall in the form of principal and interest forgiven during 2000 under employee's promissory note, as more fully described in "Certain Relationships and Related Transactions -- Employment and Consulting Arrangements."
  - (2) Includes other annual non-cash compensation, such as company-paid health, disability and life insurance premiums pursuant to plans covering all employees, unless the aggregate amount does not exceed the lesser of \$50,000 or 10% of such officer's total annual salary and bonus shown in the table.
  - (3) Includes matching contributions under Charter Communications, Inc.'s 401(k) plan.
  - (4) Includes \$35,499 attributed to personal use of a corporate airplane and \$85,214 as reimbursement for purchase of a car.
  - (5) Includes \$55,719 paid for club membership and dues and \$20,351 attributed to personal use of corporate airplane.
  - (6) Mr. Schumm became affiliated with Charter Investment on December 16, 1998.
  - (7) Includes \$150,000 received as a one-time bonus.
  - (8) Received in March 1999 in connection with a one-time change of control payment under the terms of a previous equity appreciation rights plan. This payment was triggered by Mr. Allen's acquisition of control on December 23, 1998, but was income for 1999.

THE CHARTER COMMUNICATIONS 1999 OPTION PLAN

Charter Holdings adopted an option plan on February 9, 1999, which was assumed by Charter Communications Holding Company in May 1999. This plan provides for the grant of options to



purchase up to 25,009,798 membership units in Charter Communications Holding Company to current and prospective employees and consultants of Charter Communications Holding Company and its affiliates and current and prospective non-employee directors of Charter Communications, Inc. Membership units received upon exercise of any options are immediately exchanged for shares of Charter Communications, Inc. Class A common stock on a one-for-one basis.

As of June 30, 2001, a total of 20,268,205 options to purchase membership units in Charter Communications Holding Company were outstanding under the plan. One-fourth of the options vest on the 15-month anniversary of the date of grant and the remaining vest 1/45 on each month anniversary following the 15-month anniversary of the date of grant. The options expire after ten years from the date of grant. The plan administrator has the discretion to accelerate the vesting of any options.

Any shares not subject to outstanding options and any shares covered by options that are terminated under the 1999 Option Plan will be transferred to the Charter Communications, Inc. 2001 Stock Incentive Plan. As a result, there are no options available for future grant under the 1999 Option Plan.

2000 AGGREGATED OPTION EXERCISES AND OPTION VALUE TABLE

The following table sets forth, for such officers, information concerning options, including the number of securities for which options were held at December 31, 2000, the value of unexercised "in-the-money" options (i.e., the positive spread between the exercise price of outstanding options and the market value of Charter Communications, Inc.'s Class A common stock on December 31, 2000) and the value of unexercised options as of December 31, 2000.

NUMBER OF SECURITIES UNDERLYING VALUE OF UNEXERCISED OPTIONS AT IN-THE-MONEY OPTIONS AT SECURITIES DECEMBER 31, 2000(1) DECEMBER 31, 2000(2) ACQUIRED VALUE ----- ----- -----	ON EXERCISE REALIZED EXERCISABLE UNEXERCISABLE EXERCISABLE UNEXERCISABLE ----- ----- -----
----- Jerald L. Kent..... - - -- 3,522,063 3,522,064 \$10,460,527 \$10,460,530 Steven A.	
Schumm..... - - -- 300,027 482,654 891,080 1,433,482 David G.	
Barford..... -- -- 76,666 163,334 229,869 506,302 Kent D.	
Kalkwarf..... -- -- 76,666 163,334 229,869 506,302 David L.	
McCall..... -- -- 76,666 148,334 227,698 453,802	
-----	

(1) These options are exercisable as to 25% of the underlying securities at the fifteenth month after grant, and thereafter, as to 1/45 of the remaining

securities in each of the next 45 months. These options were granted under the Charter Communications 1999 Option Plan and, when vested, are exercisable for membership units of Charter Communications Holding Company, which are immediately exchanged on a one-for-one basis for shares of Charter Communications, Inc.'s Class A common stock.

- (2) Based on a per share market value of \$22.97 for Charter Communications, Inc.'s Class A common stock.

## 2000 OPTION GRANTS

The following table shows individual grants of options made to executive officers named in the Summary Compensation Table during 2000. All such grants were made under the Charter Communications 1999 Option Plan and the exercise price was based upon the fair market value of the underlying securities on the date of grant.

NAME GRANTED(1)	IN 2000	PRICE	DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES NUMBER OF % OF TOTAL OF STOCK PRICE SECURITIES OPTIONS	
				5%	10%
Jerald L. Kent	40,000	0.4	\$19.47	2,020,007	489,783
Steven A. Schumm	25,000	0.2	\$19.47	1,262,504	306,114
David G. Barford	40,000	0.4	\$19.47	2,020,007	489,783
Kalkwarf	40,000	0.4	\$19.47	2,020,007	489,783

(1) These options are exercisable as to 25% of the underlying securities at the fifteenth month after grant, and thereafter, as to 1/45 of the remaining securities in each of the next 45 months. These options were granted under the Charter Communications 1999 Option Plan and, when vested, are exercisable for membership units of Charter Communications Holding Company, which are immediately exchanged on a one-for-one basis for shares of Charter Communications, Inc.'s Class A common stock.

(2) This column shows the hypothetical gains on the options granted based on assumed annual compound price appreciation of 5% and 10% over the full ten-year term of the options. The assumed rates of appreciation are mandated by the SEC and do not represent our estimate or projection of future prices.

## THE CHARTER COMMUNICATIONS, INC. 2001 STOCK INCENTIVE PLAN

On February 12, 2001, the board of directors of Charter Communications, Inc. unanimously adopted the Charter Communications, Inc. 2001 Stock Incentive Plan. This plan provides for the grant of up to 59,964,013 shares of Class A common stock of Charter Communications, Inc. (38,895,911 newly authorized shares under the 2001 Incentive Plan and up to 21,068,102 previously authorized shares based on forfeitures, cancellations and terminations under the 1999 Option Plan) to the employees (including future employees who have received a formal offer of employment), officers, consultants and directors of Charter Communications, Inc. and its subsidiaries and affiliates. The 2001 Incentive Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend

equivalent rights, performance units and performance shares, share awards, phantom stock and/or restricted stock (as each term is defined in the 2001 Incentive Plan).

The 2001 Incentive Plan must be administered by at least one committee of the board of directors of Charter Communications, Inc., which consists of one or more directors and could consist of the entire board. In February 2001, the board of directors of Charter Communications, Inc. appointed an Option Plan Committee to authorize grants and awards under the 2001 Incentive Plan to any eligible individuals and Jerald L. Kent to authorize grants to eligible individuals below the Senior Vice President level. For purposes of this section, "committee" shall mean either the Option Plan Committee or Jerald L. Kent acting in his capacity as a special committee.

The 2001 Incentive Plan will terminate as of the tenth anniversary of February 12, 2001, and no option or award can be granted thereafter. The board of directors of Charter Communications, Inc. may sooner terminate the plan and the board may at any time and from time to time amend, modify or suspend the plan, but it cannot impair or adversely alter any options or awards theretofore granted under the plan, except with the consent of the optionee or grantee.

Under the 2001 Incentive Plan, up to 59,964,013 authorized and unissued shares (including up to 21,068,102 shares based on forfeitures, cancellations and terminations under the 1999 Option Plan)

are available for grant. However, the maximum number of shares with respect to which options and stock appreciation rights may be granted to any individual during any calendar year is 3,889,501. In the event of any change in capitalization, however, the committee may adjust the maximum number and class of shares with respect to which options and awards may be granted, the number and class of shares which are subject to outstanding options and awards and the purchase price thereof. Of the total number of shares allotted under the 2001 Incentive Plan, no more than 3,000,000 of the allotted shares may be used for grants of restricted stock.

#### STOCK OPTIONS

If an optionee's employment or service is terminated other than for cause, death, disability or retirement, the optionee has the right to exercise any vested options within 60 days of the termination of employment. After this 60-day period, all vested and unvested options held by the optionee are automatically canceled. If an optionee's employment or service is terminated for cause, any unexercised options are automatically canceled. If an optionee's employment is terminated because of death, disability or retirement, the options can be exercised until the second anniversary of the event, with any options not so exercised being automatically canceled.

#### STOCK APPRECIATION RIGHTS ("SARS")

The 2001 Incentive Plan permits the granting of SARs either in connection with the grant of an option or as a freestanding right. A SAR permits a grantee to receive upon exercise of the SAR, cash and/or shares, at the discretion of the committee, in an amount equal in value to the excess, if any, of the then per share fair market value over the per share fair market value on the date that the SAR was granted (or option exercise price in the case of a SAR granted in connection with an option). When a SAR is granted, however, the committee may establish a limit on the maximum amount a grantee may receive upon exercise. The committee will decide at the time the SAR is granted, the date or dates at which it will become vested and exercisable.

If a grantee's employment or service is terminated other than for cause, death, disability or retirement, the grantee has the right to exercise any vested SARs within 60 days of the termination of employment. After this 60-day period, all vested and unvested SARs held by the grantee are automatically canceled. If a grantee's employment is terminated for cause, any unexercised SARs are automatically canceled. If a grantee's employment is terminated because of death, disability or retirement, the SARs may be exercised until the second anniversary of the event, with any SARs not so exercised being automatically canceled.

#### DIVIDEND EQUIVALENT RIGHTS ("DERS")

DERS represent a right to receive all or some portion of the cash dividends that are or would be payable with respect to shares of Charter Communications, Inc.'s Class A common stock. DERS may be granted in tandem with any award under the 2001 Incentive Plan and may be payable currently or deferred until the lapsing of the restrictions on the DERS or until the vesting, exercise, payment, settlement or other lapse of restrictions on the related awards. DERS may be settled in cash or shares or a combination thereof, in a single or multiple installments, as the committee determines.

#### RESTRICTED STOCK

The committee will determine the terms of each restricted stock award at the time of grant, including the price, if any, to be paid by the grantee for the restricted stock, the restrictions placed on the shares, and the time or times when the restrictions will lapse. In addition, at the time of grant, the committee, in its discretion, may decide: (i) whether any deferred dividends will be held for the account of the grantee or deferred until the restrictions thereon lapse, (ii) whether any deferred

dividends will be reinvested in additional shares or held in cash, (iii) whether interest will be accrued on any dividends not reinvested in additional shares of restricted stock, and (iv) whether any stock dividends paid will be subject to the restrictions applicable to the restricted stock award. Payment of deferred dividends in respect of shares of restricted stock, together with any interest accrued thereon, shall be made upon the lapsing of restrictions imposed on such shares. Any dividends deferred (together with any interest accrued thereon) in respect of any shares of restricted stock shall be forfeited upon the forfeiture of such shares.

#### PERFORMANCE UNITS AND PERFORMANCE SHARES

Performance units and performance shares will be awarded as the committee may determine, and the vesting of performance units and performance shares will be based upon specified performance objectives to be determined by the committee among the following: revenue, net income, operating income, earnings, net earnings, share price, cash flow, earnings before interest, taxes, depreciation and amortization (EBITDA), total shareholder return, total shareholder return relative to peers, financial returns (including, without limitation, return on assets, return on equity and return on investment), cost reduction targets, customer satisfaction, customer growth, employee satisfaction, pre-tax profits, net earnings, or any combination of the foregoing. Performance objectives (and underlying business criteria, as applicable) may be in respect of: (i) the performance of Charter Communications, Inc., (ii) the performance of any of its subsidiaries, (iii) the performance of any of its divisions, (iv) a per share basis, (v) a per subscriber basis, or (vi) any combination of the foregoing. Performance objectives may be absolute or relative (to prior performance of Charter Communications, Inc. or to the performance of one or more other entities or external indices) and may be expressed in terms of a progression within a specified range. The formula for determining performance objectives may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary, unusual or non-recurring gains and losses, the cumulative effect of accounting changes, acquisitions or divestitures, core process redesigns, structural changes/ outsourcing, and foreign exchange impacts. The performance objectives with respect to a performance cycle shall be established in writing by the committee by the earlier of (x) the date on which a quarter of the performance cycle has elapsed or (y) the date which is 90 days after the commencement of the performance cycle, and in any event while the performance relating to the performance objectives remains substantially uncertain.

#### OTHER STOCK-BASED AWARDS; PHANTOM STOCK

The committee may grant other share awards to any eligible individual on such terms and conditions as the committee may determine in its sole discretion. Share awards may include grants of phantom stock. Upon the vesting of a phantom stock award, the grantee shall be entitled to receive a cash payment in respect of each share of phantom stock which shall be equal to the fair market value of a share as of the date the phantom stock award was granted, or such other date as determined by the committee in its discretion at the time the phantom stock award was granted. The committee may, in its discretion, at the time a phantom stock award is granted, provide a limitation on the amount payable in respect of each share of phantom stock. In lieu of a cash payment, the committee may, in its discretion, settle phantom stock awards with shares having a fair market value equal to the cash payment to which the grantee has become entitled.

If an optionee's or grantee's employment is terminated without "cause" or for "good reason" during the 12-month period following a "change in control" (as those terms are defined in the 2001 Incentive Plan), unless otherwise provided in an agreement, with respect to such optionee's or grantee's awards under the 2001 Incentive Plan, all outstanding options will become immediately and fully exercisable, all outstanding SARs will become immediately and fully exercisable, the restrictions on the outstanding restricted stock will lapse, and all of the outstanding performance units will vest

and the restrictions on all of the outstanding performance shares will lapse as if all performance objectives had been satisfied at the maximum level. Upon a change of control, the committee can shorten the exercise period, have the survivor or successor entity assume the options with appropriate adjustments, or cancel options and pay out in cash. Under the 2001 Incentive Plan, a change of control occurs: (a) in the event of an acquisition by any person of beneficial ownership of more than 50% of the outstanding voting securities of the Charter Communications, Inc.; (b) if at least one-half of the Charter Communications, Inc.'s board of directors ceases to be made up of those individuals who are directors as of February 12, 2001; or (c) upon the consummation of a merger, consolidation or reorganization with or into Charter Communications, Inc. in which securities of Charter Communications, Inc. are issued, except for certain transactions, including, among other things, a merger where Charter Communications, Inc.'s shareholders own more than 50% of the surviving corporation or constitute a majority of the board of the surviving corporation.

LIMITATION OF DIRECTORS' LIABILITY AND INDEMNIFICATION MATTERS. Charter Communications, Inc.'s restated certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. The Delaware General Corporation Law provides that a corporation may eliminate or limit the personal liability of a director for monetary damages for breach of fiduciary duty as a director, except for liability for:

- (1) any breach of the director's duty of loyalty to the corporation and its shareholders;
- (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- (3) unlawful payments of dividends or unlawful stock purchases or redemptions; or
- (4) any transaction from which the director derived an improper personal benefit.

Charter Communications, Inc.'s bylaws provide that we will indemnify all persons whom we may indemnify pursuant thereto to the fullest extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Charter Communications, Inc. pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding beneficial ownership of Charter Communications, Inc.'s Class A common stock as of June 30, 2001 by:

- each of our directors and the directors of Charter Communications, Inc.;
- each of our executive officers and the executive officers of Charter Communications, Inc. named in the Summary Compensation Table;
- all directors and executive officers of Charter Holdings and Charter Communications, Inc. as a group; and
- each person known by us to own beneficially 5% or more of the outstanding Charter Communications, Inc. Class A common stock.

With respect to the percentage of voting power set forth in the following table:

- each holder of Charter Communications, Inc. Class A common stock is entitled to one vote per share; and
- each holder of Charter Communications, Inc. Class B common stock is entitled to a number of votes based on the number of such holder's and his affiliates' shares of Class B common stock and membership units of Charter Communications Holding Company exchangeable for Class B common stock. For example, Mr. Allen is entitled to ten votes for each share of Class B common stock held by him or his affiliates and ten votes for each membership unit of Charter Communications Holding Company held by him or his affiliates.

SHARES CLASS A COMMON STOCK	
RECEIVABLE ON	-----
NUMBER OF EXERCISE OF SHARES	-----
ISSUABLE % OF CLASS A SHARES	-----
VESTED UPON EXCHANGE % OF	-----
VOTING NAME AND ADDRESS OF	-----
BENEFICIAL OWNER OWNED(1)	-----
OPTIONS(2) OR CONVERSION(3)	-----
EQUITY(4) POWER(5)	-----
	-----
	-----
	-----
----- Paul G.	
Allen(6).....	10,804,003 10,000
324,300,479(7) 54.19% 92.0%	
Charter Investment, Inc.	
(8)..... -- -- 217,585,246(9)	
42.52% * Vulcan Cable III Inc.	
(6)..... -- --	
106,715,233(11) 26.62% *	
Jerald L.	
Kent.....	34,000
4,696,084 1.58% * Howard L.	
Wood..... --	
155,000 * * Marc B.	
Nathanson(10).....	
9,967,435 50,000 3.41% *	
Ronald L.	
Nelson.....	17,500
50,000 * * Nancy B.	
Peretsman.....	
10,000 50,000 * * William D.	
Savoy..... --	
50,000 778,369(11) * * Steven	
A. Schumm(12).....	
3,700 404,385 * * David G.	
Barford.....	2,500
115,333 * * Kent D.	
Kalkwarf.....	
9,000 115,333 * * David L.	
McCall.....	4,700
110,833 * * All current	
directors and executive	



officers as a group (22  
persons).....  
20,956,013 6,595,884  
324,300,479 56.30% 92.44%

- - - - -  
\* Less than 1%.

(1) Includes shares for which the named person has:

- sole voting and investment power; or
- shared voting and investment power with a spouse.

Does not include shares that may be acquired through exercise of options.

(2) Includes shares of Charter Communications, Inc. Class A common stock issuable upon exercise of options vested on or before August 29, 2001 under the 1999 Option Plan and options granted to directors under the 2001 Incentive Plan, which were fully vested upon grant.

- (3) Beneficial ownership is determined in accordance with Rule 13d-3. The beneficial owners of Charter Communications, Inc.'s Class B common stock, Charter Communications Holding Company membership units and CC VIII, LLC membership units are deemed to be beneficial owners of an equal number of shares of Charter Communications, Inc.'s Class A common stock because such holdings are either convertible into Class A shares (in the case of Class B shares) or exchangeable (directly or indirectly) for Class A shares (in the case of the membership units) on a one-for-one basis. Unless otherwise noted, the named holders have sole investment and voting power with respect to the shares listed as beneficially owned.
- (4) The calculation of this percentage assumes for each person that:
- 294,095,712 shares of Class A common stock are currently issued and outstanding;
  - 50,000 shares of Class B common stock held by Mr. Allen have been converted into shares of Class A common stock;
  - the acquisition by such person of all shares of Class A common stock that such person or affiliates of such person has the right to acquire upon exchange of membership units in subsidiaries;
  - the acquisition by such person of all shares that may be acquired upon exercise of options to purchase shares or exchangeable membership units that have vested or will vest by August 29, 2001; and
  - that none of the other listed persons or entities has received any shares of Class A common stock that are issuable to any of such persons pursuant to the exercise of options or otherwise.

A person is deemed to have the right to acquire shares of Class A common stock with respect to options vested under the 1999 Option Plan. When vested, these options are exercisable for membership units of Charter Communications Holding Company, which are immediately exchanged on a one-for-one basis for shares of Charter Communications, Inc.'s Class A common stock. A person is also deemed to have the right to acquire shares of Class A common stock issuable upon the exercise of vested options under the 2001 Incentive Plan.

- (5) The calculation of this percentage assumes that Mr. Allen's equity interests are retained in the form that maximizes voting power (i.e., the 50,000 shares of Class B common stock held by Mr. Allen have not been converted into shares of Class A common stock; that the membership units of Charter Communications Holding Company owned by both Vulcan Cable III Inc. and Charter Investment have not been exchanged for shares of Class A common stock); and that outstanding membership units of CC VIII, LLC owned by TCID of Michigan, Inc. have not been exchanged for shares of Class A common stock.
- (6) The address of these persons is 505 Fifth Avenue South, Suite 900, Seattle, WA 98104.
- (7) The total listed is comprised of:
- 217,585,246 membership units in Charter Communications Holding Company held by Charter Investment;
  - 106,715,233 membership units in Charter Communications Holding Company held by Vulcan Cable III Inc.; and
  - 50,000 shares of Class B common stock held directly by Mr. Allen (100% of the Class B common stock issued and outstanding).
- (8) Includes 217,585,246 membership units in Charter Communications Holding Company which are exchangeable for shares of Class B common stock on a one-for-one basis, which are convertible to shares of Class A common stock on a one-for-one basis. The address of this person is Charter Plaza, 12405 Powerscourt Drive, St. Louis, MO 63131.
- (9) These membership units in Charter Communications Holding Company are exchangeable for shares of Class A common stock at any time on a one-for-one basis.
- (10) Consists of the following shares:

- 4,023,336 shares for which he has sole investment and voting power;
- 5,543,654 shares for which he has shared investment and voting power; and
- 400,445 shares for which he has sole investment power and shared voting power.

(11) Includes 778,369 shares of Class A common stock that may be acquired by Mr. Savoy upon exercise of options from Vulcan Cable III Inc. to purchase membership units in Charter Communications Holding Company that have vested or will vest by August 29, 2001.

(12) Includes 3,700 shares for which Mr. Schumm has shared investment and voting power.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following sets forth certain transactions in which we and our directors, executive officers and affiliates are involved. We believe that each of the transactions described below was on terms no less favorable to us than could have been obtained from independent third parties.

## MANAGEMENT AND CONSULTING ARRANGEMENTS

MANAGEMENT ARRANGEMENTS. Charter Communications, Inc. has entered into management arrangements with Charter Communications Holding Company and certain of its subsidiaries. Under these agreements, Charter Communications, Inc. provides management services for and operates the cable television systems owned or to be acquired. The management agreements covering the CC VI and CC VII companies limit management fees payable to Charter Communications, Inc. to 5% of gross revenues. Under the arrangement covering all of our other operating subsidiaries, there is no limit on the dollar amount or percentage of revenues payable as management fees. However, the total amount paid by Charter Communications Holding Company and all of its subsidiaries is limited to the amount necessary to reimburse Charter Communications, Inc. for all of its expenses, costs, losses, liabilities and damages paid or incurred by it in connection with the performance of its services under the various management agreements. The expenses subject to reimbursement include any fees Charter Communications, Inc. is obligated to pay under the mutual services agreement described below. Payment of management fees by Charter Communications, Inc.'s operating subsidiaries is subject to certain restrictions under the credit facilities of such subsidiaries. In the event any portion of the management fee due and payable is not paid, it is deferred by Charter Communications, Inc. and accrued as a liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per annum, compounded annually, from the date it was due and payable until the date it is paid.

In 2000, Charter Communications, Inc. received a total of \$4,957,000 as management fees from Charter Communications Holding Company and its subsidiaries, exclusive of amounts being paid to Charter Investment pursuant to the mutual services agreement described below.

MUTUAL SERVICES AGREEMENT WITH CHARTER INVESTMENT AND CHARTER COMMUNICATIONS HOLDING COMPANY. During 2000, pursuant to a mutual services agreement between Charter Communications, Inc. and Charter Investment, Inc., Charter Investment leased the necessary personnel and provided services to Charter Communications, Inc. to manage Charter Communications Holding Company and its subsidiaries, including us. Effective January 1, 2001, Charter Investment personnel became employees of Charter Communications Holding Company and the mutual services agreement was amended to add Charter Communications Holding Company as a party and provide that both Charter Investment and Charter Communications Holding Company will provide services to Charter Communications, Inc. on a cost reimbursement basis. Charter Communications, Inc. has only 15 employees, all of whom are also executive officers of Charter Communications Holding Company. Charter Communications, Inc., Charter Investment and Charter Communications Holding Company are parties to a mutual services agreement. The mutual services agreement provides that each party shall provide rights and services to the others as may be reasonably requested for the management of Charter Communications Holding Company and Charter Holdings and the cable systems owned by their subsidiaries. The officers and employees of each party are available to the other parties to provide these rights and services, and all expenses and costs incurred in providing these rights and services are paid by Charter Communications, Inc. Each of the parties will indemnify and hold harmless the other parties and their directors, officers and employees from and against any and all claims that may be made against any of them in connection with the mutual services agreement except due to its or their gross negligence or willful misconduct. The mutual services agreement expires on November 12, 2009, and may be terminated at any time by any party upon thirty days'

written notice to the other. During 2000, Charter Communications, Inc. paid \$50,285,700 to Charter Investment for services rendered pursuant to the mutual services agreement. All such amounts are reimbursable to Charter Communications, Inc. pursuant to a management arrangement with subsidiaries. See "--Management Arrangements."

**CONSULTING AGREEMENT.** Charter Communications Holding Company is a party to a consulting agreement with Vulcan Northwest and Charter Investment. Pursuant to this consulting agreement, Vulcan Northwest and Charter Investment provide advisory, financial and other consulting services with respect to the acquisitions by Charter Communications Holding Company of the business, assets or stock of other companies. Such services include participation in the evaluation, negotiation and implementation of these acquisitions. The original agreement had an expiration date of December 31, 2000, but automatically renewed by its terms and automatically renews for successive one-year terms unless otherwise terminated. For services rendered, the consulting agreement provides for payment of a fee equal to 1% of the aggregate value of the acquisition for their services rendered for each acquisition made by Charter Communications Holding Company or any of its affiliates, reimbursement of reasonable out-of-pocket expenses incurred and indemnification. In 2000, no fees were paid with respect to consulting services by an affiliate of Mr. Allen.

**PREVIOUS MANAGEMENT AGREEMENT WITH CHARTER INVESTMENT.** Prior to November 12, 1999, Charter Investment provided management and consulting services to our operating subsidiaries for a fee equal to 3% of the gross revenues of the systems then owned plus reimbursement of expenses. The balance of management fees payable under the previous management agreement was accrued with payment at the discretion of Charter Investment, with interest payable on unpaid amounts. During 2000, Charter Communications, Inc.'s subsidiaries paid \$5,369,000 to Charter Investment to reduce management fees payable. At December 31, 2000, total management fees payable to Charter Investment were \$13,751,000, exclusive of any interest that may be charged.

#### ALLOCATION OF BUSINESS OPPORTUNITIES WITH MR. ALLEN

As described under "Business Relationships" in this section, Mr. Allen and a number of his affiliates have interests in various entities that provide services or programming to our subsidiaries. Given the diverse nature of Mr. Allen's investment activities and interests, and to avoid the possibility of future disputes as to potential business, Charter Communications, Inc. and Charter Communications Holding Company, under the terms of their respective organizational documents, may not, and may not allow their subsidiaries to, engage in any business transaction outside the cable transmission business except for the Digeo, Inc. joint venture; the joint venture to develop a digital video recorder set-top terminal; the investment in High Speed Access Corp.; the investment in Cable Sports Southeast, LLC, a provider of regional sports programming; as an owner and operator of the business of Interactive Broadcaster Services Corporation (Chat TV); an investment in @Security Broadband Corp., a company developing broadband security applications; and incidental businesses engaged in as of the closing of Charter Communications, Inc.'s initial public offering in November 1999. This restriction will remain in effect until all of the shares of Charter Communications, Inc.'s high-vote Class B common stock have been converted into shares of Class A common stock due to Mr. Allen's equity ownership falling below specified thresholds.

Should Charter Communications, Inc. or Charter Communications Holding Company or any of their subsidiaries wish to pursue, or allow their subsidiaries to pursue, a business transaction outside of this scope, it must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not to pursue the business transaction and consents to Charter Communications, Inc. or its subsidiaries engaging in the business transaction, they will be able to do so. In any such case, the restated certificate of incorporation of Charter Communications, Inc. and the amended and restated limited liability company agreement of Charter Communications Holding

Company would be amended accordingly to modify the current restrictions on the ability of such entities to engage in any business other than the cable transmission business. The cable transmission business means the business of transmitting video, audio, including telephony, and data over cable television systems owned, operated or managed by Charter Communications, Inc., Charter Communications Holding Company or any of their subsidiaries from time to time. The businesses of RCN Corporation, a company in which Mr. Allen has made a significant investment, are not considered cable transmission businesses under these provisions. See "--Business Relationships - RCN Corporation."

Under Delaware corporate law, each director of Charter Communications, Inc., including Mr. Allen, is generally required to present to Charter Communications, Inc., any opportunity he or she may have to acquire any cable transmission business or any company whose principal business is the ownership, operation or management of cable transmission businesses, so that we may determine whether we wish to pursue such opportunities. However, Mr. Allen and the other directors generally will not have an obligation to present other types of business opportunities to Charter Communications, Inc. and they may exploit such opportunities for their own account.

#### INTERCOMPANY LOANS

From time to time, there are intercompany borrowings and repayments between or among Charter Communications, Inc. and its subsidiaries and between or among its subsidiaries. For amounts borrowed, our practice is for the borrowing party to pay interest to the lending party based on the borrower's cost of funds on its revolving credit facility, which is based on a spread over LIBOR. On occasion, indebtedness between companies has been forgiven in lieu of a contribution to capital. The average month-end principal balance of indebtedness from our subsidiaries to our parent companies during 2000 was \$250 million. The total interest paid by our operating subsidiaries for parent company indebtedness was \$22.8 million, and accrued interest on such debt at December 31, 2000 was \$2.3 million.

#### EMPLOYMENT AND CONSULTING ARRANGEMENTS

Jerald L. Kent is employed by Charter Communications, Inc. under an employment agreement that terminates on December 23, 2001 with automatic one-year renewals. Under this agreement, Mr. Kent serves as President and Chief Executive Officer of Charter Communications, Inc., with responsibility for the nationwide general management, administration and operation of all present and future business of Charter Communications, Inc. and its subsidiaries. The agreement provides that during the initial term, Mr. Kent would receive an annual base salary of \$1,250,000, or such higher rate as may from time to time be determined by Charter Communications, Inc.'s board of directors in its discretion and an annual bonus up to \$625,000, in an amount to be determined by the board based on an assessment of the performance of Mr. Kent as well as the achievement of certain financial targets. Charter Communications, Inc. also agreed to cause Mr. Kent to be elected to Charter Communications, Inc.'s board of directors without any additional compensation. Effective for 2001, Mr. Kent's base salary was increased to \$1,500,000. Also in 2001, he received a \$1,000,000 bonus for services rendered in 2000.

Under the agreement, Mr. Kent is entitled to participate in any disability insurance, pension or other benefit plan afforded to employees generally or to executives of Charter Communications, Inc. Mr. Kent will be reimbursed by Charter Communications, Inc. for life insurance premiums of up to \$30,000 per year and is granted personal use of the corporate airplane. Mr. Kent also is entitled to the use of a car valued at up to \$100,000 and the fees and dues for his membership in a country club of his choice. In 2000, Mr. Kent did not avail himself of reimbursement for life insurance premiums or country club dues.

In connection with this agreement, Mr. Kent received options to purchase 7,044,127 Charter Communications Holding Company membership units with an exercise price of \$20.00. The options have a term of 10 years and vested 25% on December 23, 1998. The remaining 75% vest 1/36 on the first day of each of the 36 months commencing January 1, 2000. The terms of these options provide that immediately following the issuance of membership units received upon exercise of such options, these units will be automatically exchanged for shares of Charter Communications, Inc.'s Class A common stock on a one-for-one basis.

The agreement further provides that Charter Communications, Inc. will indemnify and hold harmless Mr. Kent to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of the performance by Mr. Kent of his duties.

If the agreement expires because Charter Communications, Inc. gives Mr. Kent notice of its intention not to extend the initial term, or if the agreement is terminated by Mr. Kent for good reason or by Charter Communications, Inc. without cause:

- Charter Communications, Inc. will pay to Mr. Kent an amount equal to the total base salary due to Mr. Kent for the remaining term and the board of directors will consider additional amounts, if any, to be paid to Mr. Kent; and
- any unvested options held by Mr. Kent shall immediately vest.

Pursuant to an automatically renewing consulting agreement between Charter Communications, Inc. and Howard L. Wood, Mr. Wood provides consulting services to Charter Communications, Inc. and also is responsible for such other duties as the Chief Executive Officer determines. Mr. Wood receives annual cash compensation at a rate of \$60,000, and is entitled to receive health benefits as well as use of an office and a full-time secretary. The cost of the office and secretary in 2000 was \$40,000. Charter Communications, Inc. will indemnify and hold harmless Mr. Wood to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses incurred in connection with or arising out of the performance by him of his duties.

Effective as of May 25, 1999, Marc B. Nathanson entered into a letter agreement with Charter Communications, Inc. for a three-year term. Under this agreement, Mr. Nathanson serves as Vice-Chairman and as a director of Charter Communications, Inc. During the term of this agreement, Mr. Nathanson receives a benefit equal to \$193,197 per year, which amount is being paid by Charter Communications, Inc. to a company controlled by Mr. Nathanson. In addition, Mr. Nathanson is entitled to the rights and benefits provided to other directors of Charter Communications, Inc. Charter Communications, Inc. will indemnify and hold harmless Mr. Nathanson to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses incurred in connection with or arising out of the performance by Mr. Nathanson of his duties.

Charter Investment issued 1999 "stay bonuses" and Charter Communications, Inc. issued 2000 "stay bonuses" to executive officers in the form of three-year promissory notes. One-third of the original outstanding principal amount of each of these notes and interest is forgiven at the end of each of the first three anniversaries of the issue date, as long as the employee is still employed by the issuer of the bonus or any of its affiliates. Generally, the promissory notes bear interest at 7% per year. The following table provides certain information about such notes as of December 31, 2000 for executive officers employed as of that date.

OUTSTANDING BALANCE INDIVIDUAL ISSUE DATE AS  
 OF 12/31/00 ----- David C.

Andersen.....	April, 2000	\$150,000	David G.
Barford.....	January, 1999	300,000	Mary Pat
Blake.....	January, 1999	300,000	Eric A.
Freesmeier.....	January, 1999	300,000	Thomas R.
Jokerst.....	January, 1999	300,000	Kent D.
Kalkwarf.....	January, 1999	300,000	Ralph G.
Kelly.....	January, 1999	300,000	David L.
McCall.....	January, 1999	300,000	John C.
Pietri.....	January, 1999	150,000	Steven A.
Schumm.....	January, 1999	600,000	Curtis S.
Shaw.....	January, 1999	300,000	Stephen E.
Silva.....	January, 1999	300,000	James H. (Trey)
Smith.....	September, 2000	200,000	

#### OTHER RELATIONSHIPS

David L. McCall, Senior Vice President - Operations - Eastern Division, is a partner in a partnership that leases office space to us. In 2000, the partnership received approximately \$126,470 pursuant to such lease and related agreements. In addition, approximately \$457,000 was paid to a construction company controlled by Mr. McCall's brother and \$270,695 to a construction company controlled by Mr. McCall's son.

A company controlled by Mr. Wood occasionally leases an airplane to Charter Communications, Inc. and its subsidiaries and affiliates for business travel. An hourly time share rate is paid for such usage. Mr. Wood's affiliated company reimburses Charter Communications, Inc. for the full annual cost of two individuals qualified to operate the plane and who are otherwise available to Charter Communications, Inc. in connection with its own flight operations, which amount was \$123,843 in 2000. Charter Communications, Inc. paid Mr. Wood's affiliate \$2,200 in 2000 for time share usage of the airplane. In addition, Mr. Wood has also used Charter Communications, Inc.'s airplane for occasional personal use in 2000, a benefit valued at \$19,900.

In addition, Mr. Wood's daughter, a Vice President of Charter Communications Holding Company, received a bonus in the form of a three-year promissory note bearing interest at 7% per year. One-third of the original outstanding principal amount of the note and interest are forgiven as long as she remains employed by our subsidiary at the end of each of the first three anniversaries of the issue date in February 1999. The amount of principal and interest forgiven on this note in 2000 was \$80,250 and the outstanding balance on the note as of December 31, 2000 was \$150,000.

In addition, companies controlled by Mr. Nathanson leased certain office space in Pasadena, California, and warehouse space in Riverside, California, to our subsidiaries. Mr. Nathanson's affiliates received total annual rent in 2000 of \$430,918 and \$122,581, respectively, for these premises. In April 2001, Charter Communications, Inc. terminated the Pasadena office lease in exchange for a payment of \$638,622.

#### BUSINESS RELATIONSHIPS

Mr. Allen or his affiliates own equity interests or warrants to purchase equity interests in various entities with which we do business or which provide us with services or programming. Among these entities are High Speed Access Corp., WorldGate Communications, Inc., Wink Communications, Inc., TechTV, L.L.C., USA Networks, Inc., Oxygen Media, LLC, Digeo, Inc. and RCN Corporation. Mr. Allen owns 100% of the equity of Vulcan Ventures and is its chief executive officer. Mr. Savoy is





also a vice president and a director of Vulcan Ventures. The various cable, Internet and telephony companies that Mr. Allen has invested in may mutually benefit one another. The agreements governing our relationship with Digeo, Inc. are an example of a cooperative business relationship among his affiliated companies. We can give no assurance, nor should you expect, that any of these business relationships will be successful, that we will realize any benefits from these relationships or that we will enter into any business relationships in the future with Mr. Allen's affiliated companies.

Mr. Allen and his affiliates have made, and in the future likely will make, numerous investments outside of us and our business. We cannot assure you that, in the event that we or any of our subsidiaries enter into transactions in the future with any affiliate of Mr. Allen, such transactions will be on terms as favorable to us as terms we might have obtained from an unrelated third party. Also, conflicts could arise with respect to the allocation of corporate opportunities between us and Mr. Allen and his affiliates. We have not instituted any formal plan or arrangement to address potential conflicts of interest.

In June 1999, Charter Communications Holding Company entered into the Bresnan purchase agreement. In February 2000, Charter Communications Holding Company assigned its rights under the Bresnan purchase agreement to purchase certain assets to Charter Holdings and Charter Holdings accepted such assignment and assumed all obligations of Charter Communications Holding Company under the Bresnan purchase agreement with respect to those assets.

**VULCAN VENTURES.** Vulcan Ventures Incorporated, Charter Communications, Inc., Charter Investment and Charter Communications Holding Company are parties to an agreement dated September 21, 1999 regarding the right of Vulcan Ventures to use up to eight of our digital cable channels. Specifically, we will provide Vulcan Ventures with exclusive rights for carriage of up to eight digital cable television programming services or channels on each of the digital cable television systems with local control of the digital product owned, operated, controlled or managed by us now or in the future of 550 megahertz or more. If the system offers digital services but has less than 550 megahertz of capacity, then the programming services will be equitably reduced. Upon request of Vulcan Ventures, we will attempt to reach a comprehensive programming agreement pursuant to which we will pay the programmer, if possible, a fee per digital subscriber. If such fee arrangement is not achieved, then we and the programmer shall enter into a standard programming agreement.

**HIGH SPEED ACCESS.** High Speed Access is a provider of high-speed Internet access over cable modems. Charter Communications Holding Company is a party to a systems access and investment agreement with Vulcan Ventures and High Speed Access and a related network services agreement with High Speed Access. These agreements provide High Speed Access with exclusive access to at least 750,000 of our homes that have either an installed cable drop from our cable system or that are eligible for a cable drop by virtue of our cable system passing the home. The term of the network services agreement is, as to a particular cable system, five years from the date revenue billing commences for that cable system. The programming content agreement provides each of Vulcan Ventures and High Speed Access with a license to use certain content and materials of the other on a non-exclusive, royalty-free basis. The revenues we earned from High Speed Access in 2000 were approximately \$7.8 million.

Additionally, Charter Communications Holding Company, as the assignee of Vulcan Ventures, now holds warrants that were amended and restated on May 12, 2000, giving Charter Communications, Inc. the right to purchase up to 12,000,000 shares of High Speed Access common stock at an exercise price of \$3.23 per share. A portion of the warrants may be earned under the agreements described above, and the other portion relates to warrants that may be earned under an agreement entered into with High Speed Access on May 12, 2000, described below. Warrants earned under the agreements described above become vested at the time systems are committed by us and are based upon the number of homes passed. Warrants under these agreements can only be earned until

July 31, 2003, and are earned at the rate of 1.55 shares of common stock for each home passed in excess of 750,000. Warrants earned under the agreements described above are exercisable until May 25, 2006. Such warrants may be forfeited in certain circumstances, generally if we withdraw a committed system. As of December 31, 2000, Charter Communications, Inc. has earned 1,932,931 warrants under the agreements described above.

On May 12, 2000, Charter Communications, Inc. entered into a separate agreement with High Speed Access, which was assigned by Charter Communications, Inc. to Charter Communications Holding Company on August 1, 2000. Under the agreement, homes passed by our cable television systems will be committed to High Speed Access for which High Speed Access will provide residential Tier 2 and above technical support and network operations center support. Such systems will be in locations where we have launched or intend to launch cable modem-based Internet access to residential customers. Tier 2 support is customer service support beyond the initial screening of a problem.

We have agreed to commit a total of 5,000,000 homes passed, including all homes passed in systems previously committed by us, to High Speed Access (other than full turnkey systems), on or prior to May 12, 2003. We may also commit additional homes passed in excess of the initial 5,000,000. With respect to each system launched or intended to be launched, we will pay a per customer fee to High Speed Access according to agreed pricing terms. In addition, we will also compensate High Speed Access for services that exceed certain minimum thresholds.

Warrants that may be earned under the agreement become vested at the time we authorize High Speed Access to proceed with respect to a system, and will be based upon the number of homes passed in such system. With respect to the initial total 5,000,000 homes passed, the warrant provides that Charter Communications Holding Company will have the right to purchase 0.775 shares of common stock for every home passed. With respect to any additional homes passed in excess of 5,000,000, the warrant provides that Charter Communications Holding Company will have the right to purchase 1.55 shares of common stock for every home passed. Warrants earned under the agreement are exercisable until 7 1/2 years from the date they are earned. Such warrants are generally not subject to forfeiture, even if the agreement is terminated. High Speed Access has agreed to increase the number of shares of common stock subject to the amended and restated warrant, upon Charter Communications Holding Company's request, if the number of warrants earned exceeds 11,500,000. High Speed Access also granted Charter Communications Holding Company certain registration rights with respect to shares of common stock held by Charter Communications Holding Company and its direct and indirect subsidiaries, including shares of common stock issuable upon exercise of the amended and restated warrant.

The agreement governing the services to be provided by High Speed Access has a term of five years starting in May 2000. Charter Communications Holding Company has the option to renew the agreement for additional successive five-year terms on similar terms. On each renewal date, High Speed Access will issue Charter Communications Holding Company an additional warrant for each renewal term. These renewal warrants will grant Charter Communications Holding Company the right to purchase additional shares of common stock at a price of \$10.00 per share. The number of shares of common stock subject to a renewal warrant will be determined based upon 0.50 shares of common stock for every home passed in each system committed to High Speed Access during the initial five-year term and each five-year renewal term.

Either party may terminate the agreement, in whole or in part, if the other party defaults, becomes insolvent or files for bankruptcy. Charter Communications Holding Company may terminate the agreement if High Speed Access merges with another party or experiences a change of control. If Charter Communications Holding Company terminates the agreement, it may, in certain circumstances, be required to pay a termination fee.

Additionally, on December 5, 2000, one of our subsidiaries, Charter Communications Ventures, LLC, and Vulcan Ventures purchased 37,000 shares and 38,000 shares, respectively, of senior convertible preferred stock of High Speed Access for \$37.0 million and \$38.0 million, respectively. The preferred stock has a liquidation preference of \$1,000 per share. The preferred stock generally shares in dividends on High Speed Access common stock on an "as converted to common stock" basis. Each share of Series D preferred stock may be converted into that number of shares of common stock calculated by dividing the liquidation price by the conversion price per share, which is \$5.01875, subject to adjustments for certain events. Each share of Series D preferred stock is therefore convertible into 199.25 shares of High Speed Access common stock, so long as no adjustments have occurred. Charter Communications Ventures and Vulcan Ventures were granted certain preemptive, first refusal, registration and board representation rights as part of the transaction.

Through the various investments described above, Vulcan Ventures owns 20,222,139 shares of common stock and 38,000 shares of Series D convertible preferred stock of High Speed Access. Charter Communications Ventures owns 37,000 shares of Series D convertible preferred stock. If all shares of preferred stock owned by affiliates of Mr. Allen were converted into common stock, then Mr. Allen, through such affiliates, would beneficially own 47.8% of the stock of High Speed Access.

On July 31, 2001, Charter Communications, Inc. extended an offer to High Speed Access Corp. to purchase the contracts and associated assets of High Speed Access that serve Charter's customers. The offer includes all assets used in or necessary to perform the services provided under the turnkey contract and network services agreement for Charter cable systems, including the call center and network operations center in Louisville, KY, and all High Speed Access-owned equipment in Charter headends and customer homes. The proposed purchase price for those contracts and assets is approximately \$73 million, consisting of cash and the assumption of certain liabilities, subject to certain adjustments. In addition, as part of the proposed transaction consideration, all of the shares of Series D preferred stock of High Speed Access held by Charter Ventures and its affiliate, Vulcan Ventures Incorporated, would be cancelled.

Charter's offer has not been accepted by High Speed Access Corp. and is subject to a number of conditions, including approval by the boards of directors of Charter Communications, Inc. and High Speed Access Corp., approval by the stockholders of High Speed Access Corp., third party consents, satisfactory completion of due diligence and negotiation of definitive agreements.

WORLDGATE. WorldGate Communications, Inc. is a provider of Internet access through cable systems. Charter Communications, Inc. has an affiliation agreement with WorldGate for an initial term which expires in November 2002. The agreement automatically renews for additional successive two-year periods upon expiration of the initial five-year term, unless terminated by either party for failure of the other party to perform any of its obligations or undertakings required under the agreement. We started offering WorldGate service in 1998. Pursuant to the agreement, Charter Communications, Inc. agreed to use its reasonable best efforts to deploy the WorldGate Internet access service within a portion of our cable systems and to install the appropriate headend equipment in all of our major markets in those systems. Major markets for purposes of this agreement include those in which we have more than 25,000 customers. We incur the cost for the installation of headend equipment. In addition, to the extent we determine that it is economically practical, we have agreed to use our reasonable best efforts to deploy such service in all non-major markets that are technically capable of providing interactive pay-per-view service. When WorldGate has a telephone return path service available, we will, if economically practical, use all reasonable efforts to install the appropriate headend equipment and deploy the WorldGate service in our remaining markets. Telephone return path service is the usage of telephone lines to connect to the Internet to transmit data or receive data. We have also agreed to market the WorldGate service within our market areas. We pay a monthly subscriber access fee to WorldGate based on the number of subscribers to the

WorldGate service. We have the discretion to determine what fees, if any, we will charge our subscribers for access to the WorldGate service. For the year ended December 31, 2000, we paid WorldGate approximately \$5,089,200 consisting of \$4,985,200 for equipment purchases and \$104,000 for subscriber access fees. We charged our subscribers approximately \$393,830 for the year ended December 31, 2000. Charter Communications, Inc. also owns 138,765 shares of WorldGate's common stock for which it paid a total of \$2,000,000.

On July 25, 2000, Charter Communications Holding Company entered into a joint venture, named TV Gateway LLC, with WorldGate and several other cable operators to develop and deploy a server-based interactive program guide. Charter Communications Holding Company invested \$850,000, providing it a 16.25% ownership interest in the joint venture. For the first four years after the formation of TV Gateway, Charter Communications Holding Company will earn additional ownership units, up to a maximum of 750,000 ownership units, as the interactive program guide is deployed to our customers. In connection with the formation of the joint venture, on August 15, 2000, Charter Communications Holding Company purchased 31,211 shares of common stock of WorldGate at \$16.02 per share for a total purchase price of \$500,000. As a result of this purchase, Charter Communications Holding Company received a \$125,000 credit from WorldGate against future equipment purchases relating to the deployment of its service. Additionally, WorldGate granted Charter Communications Holding Company warrants to purchase up to 500,000 shares of WorldGate common stock for a period of seven years at a purchase price of \$24.78. For a period of three years from the date of closing, Charter Communications Holding Company will also be issued warrants to purchase common stock of WorldGate based on the number of two-way digital homes passed in the systems in which Charter Communications Holding Company has deployed WorldGate service.

WINK. Wink Communications, Inc. offers an enhanced broadcasting system that adds interactivity and electronic commerce opportunities to traditional programming and advertising. Viewers can, among other things, find news, weather and sports information on-demand and order products through use of a remote control. The existing agreement between Wink and Charter Communications Holding Company expired in October 2000 and a new agreement is being negotiated. Pursuant to the expired agreement, Wink granted us the non-exclusive license to use their software to deliver the enhanced broadcasting to all of our cable systems. We continue to pay a fixed monthly license fee to Wink. We also supply all server hardware required for deployment of Wink services. In addition, we agreed to promote and market the Wink service to our customers within the area of each system in which such service is being provided. We share in the revenue generated by Wink from all fees collected for transactions generated by our customers. The amount of revenue shared is based on the number of transactions per month. For the year ended December 31, 2000, minimal revenue and expenses have been recognized as a result of this agreement. Vulcan Ventures has an approximate 3% equity interest in Wink.

TECHTV. TechTV, L.L.C. operates a cable television channel which broadcasts shows about technology and the Internet. Pursuant to a carriage agreement terminating in 2008, TechTV has provided us with programming for broadcast via our cable television systems at no cost. Carriage fee amounts per subscriber are determined based on the percentage of subscribers in a particular system receiving the services. These fees will be waived for systems with higher penetration levels until December 31, 2003, and for systems with lower penetration levels through April 30, 2001. In certain circumstances, we are entitled to a percentage of TechTV's net product revenues from infomercials and home shopping and attributed to our carriage of the service. Additionally, we receive incentive payments for channel launches through December 31, 2003. TechTV may not offer its services to any other cable operator which serves the same or fewer number of customers at a more favorable rate or on more favorable carriage terms.

On February 5, 1999, Vulcan Programming, which is 100% owned by Mr. Allen, acquired an approximate one-third interest in TechTV. Mr. Savoy is the president and director of Vulcan Programming. In January 2000, Vulcan Ventures acquired an additional 64% in TechTV for \$204.8 million bringing its interest in TechTV to approximately 97.4%. The remaining approximate 2.6% of TechTV is owned by its management and employees. Mr. Allen is a director of TechTV and Mr. Savoy is vice president of TechTV.

USA NETWORKS. USA Networks, Inc. operates the USA Network and The Sci-Fi Channel cable television networks. USA Networks also operates Home Shopping Network, which is a retail sales program available via cable television systems. Pursuant to an agreement terminating in 2005, Charter Communications Holding Company is a party to a non-exclusive affiliation agreement with USA Networks for the cablecast of USA Network programming. Mr. Allen and Mr. Savoy are also directors of USA Networks. As of March 15, 2001, Mr. Allen owned approximately 8.2% and Mr. Savoy owned less than 1% of the capital stock of USA Networks.

OXYGEN MEDIA, LLC. Oxygen Media provides programming content aimed at the female audience for distribution over the Internet and cable television systems. Vulcan Ventures invested \$100 million in 1999 in Oxygen Media. Vulcan Ventures has made equity investments in Oxygen Media of \$100 million in 2000 and \$75 million in 2001. Oxygen programming content is currently available to approximately 2 million Charter customers. In the third quarter of 2001, Charter Communications Holding Company expects to enter into an agreement with Oxygen Media setting forth the terms of our carriage of Oxygen Media programming content. Mr. Savoy, a director of Charter Communications, Inc. and Charter Communications Holding Company, serves on the board of directors of Oxygen Media. Mr. Allen owns an approximate 29% interest in Oxygen Media.

PORTLAND TRAIL BLAZERS. On October 7, 1996, the former owner of our Falcon cable systems entered into a letter agreement and a cable television agreement with Trail Blazers Inc. for the cable broadcast in the metropolitan area surrounding Portland, Oregon of pre-season, regular season and playoff basketball games of the Portland Trail Blazers, a National Basketball Association basketball team. Mr. Allen is the 100% owner of the Portland Trail Blazers and Trail Blazers Inc. We continue to operate under the terms of these agreements since our acquisition of the Falcon cable systems in November 1999. Under the letter agreement, Trail Blazers Inc. is paid a fixed fee for each subscriber in areas directly served by the Falcon cable systems. Under the cable television agreement, we share subscription revenues with Trail Blazers Inc. Trail Blazers Inc. provides technical facilities and services in connection with the cable broadcast of the Portland Trail Blazers basketball games. The letter agreement and the cable television agreement will terminate on September 30, 2001. We paid approximately \$1.1 million for the year ended December 31, 2000 in connection with the cable broadcast of Portland Trail Blazers basketball games under the cable television agreement.

DIGEO, INC. During 2001, we expect to offer Digeo's television-based Internet access service in several markets. The Digeo product is designed to blend the power of the Internet with the convenience of the television. Through the use of an advanced digital set-top terminal, customers will be able to access Internet-based streaming media on the television, including both local and national news, sports and entertainment. The Internet domain name of customers using this service will be "Charter TV." The Digeo product is a "portal," which is an Internet web site that serves as a user's initial point of entry to the World Wide Web. By offering selected content, services and links to other web sites and a portal guide, it directs users through the World Wide Web. In addition, the portal generates revenues from advertising on its own web pages and by sharing revenues generated by linked or featured web sites.

On March 5, 2001, Charter Communications, Inc. finalized a carriage agreement with Digeo, which will function as its television-based Internet portal for an initial six-year period. In connection with the execution of the carriage agreement on March 5, 2001, our wholly owned subsidiary, Charter

Communications Ventures, LLC, received an equity interest in Digeo funded by Vulcan Ventures Incorporated's contribution to Digeo of approximately \$21.2 million, which is subject to a priority return of capital to Vulcan up to the amount so funded. Vulcan also agreed to make, through January 24, 2004, certain additional contributions through Digeo Holdings to acquire Digeo equity in order to maintain Charter Communications, Inc.'s pro rata interest in Digeo in the event of certain future Digeo equity financings by Digeo's founders. These additional equity interests will also be subject to a priority return of capital to Vulcan up to the amount so contributed. Mr. Allen and Mr. Savoy are directors of Digeo.

RCN CORPORATION. Vulcan Ventures, an entity controlled by Mr. Allen, owns an approximate 27% equity interest in RCN Corporation, including its investment of \$1.65 billion in 2000. In October 1999, Charter Communications Holding Company entered into a term sheet with RCN containing the principal terms of a non-exclusive joint venture to provide telephony services to customers in our Los Angeles cable systems. Charter Communications, Inc.'s certificate of incorporation and Charter Communications Holding Company's limited liability company agreement provide that the businesses of RCN are deemed not to be "cable transmission businesses." Mr. Savoy, a director of Charter Communications, Inc., is also a director of RCN. To date, we have had only preliminary discussions with RCN and have not entered into definitive agreements.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

The following description of the indebtedness is qualified in its entirety by reference to the relevant credit facilities, indentures and related documents governing the debt.

## EXISTING CREDIT FACILITIES

**CHARTER OPERATING CREDIT FACILITIES.** On March 18, 1999, Charter Operating entered into senior secured credit facilities arranged by Chase Securities Inc., NationsBanc Montgomery Securities LLC and TD Securities (USA) Inc. Obligations under the Charter Operating credit facilities are guaranteed by Charter Operating's parent, Charter Holdings, and by Charter Operating's subsidiaries. The obligations under the Charter Operating credit facilities are secured by pledges by Charter Operating of intercompany obligations and the ownership interests of Charter Operating and its subsidiaries, but are not secured by the other assets of Charter Operating or its subsidiaries. The obligations under the Charter Operating credit facilities are also secured by pledges of intercompany obligations and the ownership interests of Charter Holdings in Charter Operating, but are not secured by the other assets of Charter Holdings or Charter Operating.

The Charter Operating credit facilities provide for borrowings of up to \$4.7 billion consisting of:

- an eight and one-half year reducing revolving loan in the amount of \$1.25 billion;
- an eight and one-half year Tranche A term loan in the amount of \$1.0 billion; and
- a nine-year Tranche B term loan in the amount of \$2.45 billion.

The Charter Operating credit facilities provide for the amortization of the principal amount of the Tranche A term loan facility and the reduction of the revolving loan facility beginning on June 30, 2002 with respect to the Tranche A term loan and on March 31, 2004 with respect to the revolving credit facility, with a final maturity date, in each case, of September 18, 2007. The amortization of the principal amount of the Tranche B term loan facility is substantially "back-ended," with more than 90% of the principal balance due in the year of maturity. The final maturity date of the Tranche B term loan facility is March 18, 2008. The Charter Operating credit facilities also provide for an incremental term facility of up to \$1.0 billion conditioned upon receipt of additional new commitments from lenders. Up to 50% of the borrowings under it may be repaid on terms substantially similar to that of the Tranche A term loan and the remaining portion on terms substantially similar to that of the Tranche B term loan. In March 2000, \$600.0 million of the incremental term facility was drawn down, thereby increasing the Tranche B term loan. The maturity date for this term loan is September 18, 2008.

The Charter Operating credit facilities also contain provisions requiring mandatory loan prepayments under some circumstances, such as when significant amounts of assets are sold and the proceeds are not promptly reinvested in assets useful in the business of Charter Operating. In the event that any existing March 1999 8.250% Charter Holdings notes remain outstanding on the date which is six months prior to the scheduled final maturity, the term loans under the Charter Operating credit facility will mature and the revolving credit facility will terminate on such date.

The Charter Operating credit facilities provide Charter Operating with two interest rate options, to which a margin is added: a base rate option, generally the "prime rate" of interest; and an interest rate option based on the interbank eurodollar rate. Interest rate margins for the Charter Operating credit facilities depend upon performance measured by a leverage ratio, which is the ratio of indebtedness to annualized operating cash flow. This leverage ratio is based on the debt of Charter Operating and its subsidiaries, exclusive of outstanding notes and other debt for money borrowed,



including guarantees by Charter Operating and by Charter Holdings. The interest rate margins for the Charter Operating credit facilities are as follows:

- with respect to the revolving loan and the Tranche A term loan, the margin ranges from 1.5% to 2.25% for eurodollar loans; and
- with respect to the Tranche B term loan, the margin ranges from 2.25% to 2.75% for eurodollar loans and from 1.25% to 1.75% for base rate loans.

The Charter Operating credit facilities contain representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default include a cross-default provision that is triggered by the failure of Charter Operating, Charter Holdings or Charter Operating's subsidiaries to make payment on debt with an outstanding total principal amount exceeding \$50.0 million, the acceleration of debt of this amount prior to its maturity or the failure to comply with specified covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense.

The Charter Operating credit facilities also contain a change of control provision, making it an event of default, and permitting acceleration of the debt, in the event that either:

- Mr. Allen, including his estate, heirs and other related entities, fails to maintain a 25% direct or indirect voting and economic interest in Charter Operating; or
- a change of control occurs under the indentures governing the March 1999 Charter Holdings notes or the January 2000 Charter Holdings notes.

The various negative covenants place limitations on the ability of Charter Holdings, Charter Operating and their subsidiaries to, among other things:

- incur debt;
- pay dividends or make other distributions;
- incur liens;
- make acquisitions;
- make investments or asset sales; or
- enter into transactions with affiliates.

Distributions under the Charter Operating credit facilities to Charter Holdings to pay interest on the March 1999 Charter Holdings notes are generally permitted. Distributions under the Charter Operating credit facilities to Charter Holdings to pay interest on the notes, the January 2000 Charter Holdings notes and the January 2001 Charter Holdings notes are generally permitted, provided Charter Operating's cash flow for the four complete quarters preceding the distribution exceeds 1.75 times its cash interest expense, including the amount of such distribution. In each case, such distributions to Charter Holdings are not permitted during the existence of a default under the Charter Operating credit facilities.

As of March 31, 2001, approximately \$3.8 billion was outstanding and approximately \$885.0 million was available for borrowing under the Charter Operating credit facilities. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the

May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been approximately \$3.5 billion and the unused availability would have been approximately \$1.25 billion.

CC VII (FALCON) CREDIT FACILITIES. In connection with the Falcon acquisition, the required percentage of lenders under the senior secured credit facilities of Falcon Cable Communications agreed to amend and restate the Falcon credit agreement, which amendment and restatement was effective as of November 12, 1999, the date that Charter Communications Holding Company closed the Falcon acquisition. The obligations under the CC VII (Falcon) credit facilities are guaranteed by the direct parent of Falcon Cable Communications, Charter Communications VII, LLC, and by the subsidiaries of Falcon Cable Communications. The obligations under the CC VII (Falcon) credit facilities are secured by pledges of the ownership interests and intercompany obligations of Falcon Cable Communications and its subsidiaries, but are not secured by other assets of Falcon Cable Communications or its subsidiaries.

The CC VII (Falcon) credit facilities have maximum borrowing availability of \$1.25 billion consisting of the following:

- a revolving facility in the amount of approximately \$646.0 million;
- a term loan B in the amount of approximately \$196.5 million;
- a term loan C in the amount of approximately \$294.8 million; and
- a supplemental revolving facility of \$110.0 million.

In addition to the above, the CC VII (Falcon) credit facilities provide for, at the option of the lenders, supplemental credit facilities for a total of \$700.0 million, less the \$110.0 million outstanding under the supplemental revolving facility above. These supplemental credit facilities are available, subject to the borrower's ability to obtain additional commitments from the lenders. The terms of such additional borrowings are subject to certain restrictions that may be no more materially restrictive than the provisions of the CC VII (Falcon) credit facilities and will be determined at the time of borrowing.

The revolving facility and the supplemental revolving facility amortize beginning in 2001 and 2003, respectively, and ending on December 29, 2006 and December 31, 2007, respectively. The term loan B and term loan C facilities amortize beginning in 1999 and ending on June 29, 2007 and December 31, 2007, respectively.

The CC VII (Falcon) credit facilities also contain provisions requiring mandatory loan prepayments under certain circumstances, such as when significant amounts of assets are sold and the proceeds are not promptly reinvested in assets useful in the business of Falcon Cable Communications.

The CC VII (Falcon) credit facilities provide Falcon Cable Communications with two interest rate options, to which a margin is added: a base rate option, generally the "prime rate" of interest; and an interest rate option based on the interbank eurodollar rate. Interest rates for these credit facilities, as well as a fee payable on unborrowed amounts available thereunder, depend upon performance measured by a "leverage ratio" which is the ratio of indebtedness to annualized operating cash flow. This leverage ratio is based on the debt of Falcon Cable Communications and its

subsidiaries, exclusive of the Falcon debentures described below. The interest rate margins for the CC VII (Falcon) credit facilities are as follows:

- with respect to the revolving loan facility, the margin ranges from 1.0% to 2.0% for eurodollar loans and from 0.0% to 1.0% for base rate loans;
- with respect to Term Loan B, the margin ranges from 1.75% to 2.25% for eurodollar loans and from 0.75% to 1.25% for base rate loans; and
- with respect to Term Loan C, the margin ranges from 2.0% to 2.5% for eurodollar loans and from 1.0% to 1.5% for base rate loans.

The CC VII (Falcon) credit facilities contain representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default for the CC VII (Falcon) credit facilities include a cross-default provision that is triggered by, among other things, the failure to make payment relating to specified outstanding debt of Falcon Cable Communications, its direct and indirect parent companies, CC VII Holdings, LLC and Charter Communications VII, or specified subsidiary guarantors in a total amount of principal and accrued interest exceeding \$10.0 million, the acceleration of debt of this amount prior to its maturity or the failure to comply with specified covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense.

The CC VII (Falcon) credit facilities also contain a change of control provision, making it an event of default, and permitting acceleration of the debt, in the event that either:

- Mr. Allen, including his estate, heirs and other related entities, fails to maintain a 25% direct or indirect voting and economic interest in Falcon Cable Communications; or
- a change of control occurs under the terms of other specified debt of Falcon.

The various negative covenants place limitations on the ability of Falcon Cable Communications and its subsidiaries to, among other things:

- incur debt;
- pay dividends or make other distributions;
- incur liens;
- make acquisitions;
- make investments or asset sales; or
- enter into transactions with affiliates.

Distributions under the CC VII (Falcon) credit facilities to Charter Holdings to pay interest on the March 1999 Charter Holdings notes, the January 2000 Charter Holdings, the January 2001 Charter Holdings notes and the May 2001 Charter Holdings notes are generally permitted, provided Falcon Cable Communications' cash flow for the most recent fiscal quarter preceding the distribution exceeds 1.75 times its cash interest expense, including the amount of such distribution. Distributions to Charter Holdings are also permitted if Falcon Cable Communications meets specified financial ratios. In each case, such distributions to Charter Holdings are not permitted during the existence of a default under the CC VII (Falcon) credit facilities.

As of March 31, 2001, there was approximately \$698.8 million outstanding and approximately \$547.2 million was available for borrowing under the CC VII (Falcon) credit facilities. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been approximately \$489.8 million and the unused availability would have been approximately \$757.3 million.

CC VI (FANCH) CREDIT FACILITIES. On November 12, 1999, the Fanch acquisition was closed and CC VI Operating Company, LLC, the parent company of the Fanch cable systems, entered into senior secured credit facilities arranged by Chase Securities Inc. and Banc of America Securities LLC. The obligations under the CC VI (Fanch) credit facilities are guaranteed by CC VI Operating's parent, CC VI Holdings, LLC, and by the subsidiaries of CC VI Operating. The obligations under the CC VI (Fanch) credit facilities are secured by pledges of the ownership interests and intercompany obligations of CC VI Operating and its subsidiaries, but are not secured by other assets of CC VI Operating or its subsidiaries.

The CC VI (Fanch) credit facilities have maximum borrowings of \$1.2 billion, consisting of:

- a revolving facility in the amount of approximately \$350.0 million;
- a term loan A in the amount of approximately \$450.0 million; and
- a term loan B in the amount of approximately \$400.0 million.

The revolving facility amortizes beginning in 2004 and ending in May 2008. The term loan A and term loan B facilities amortize beginning in 2003 and ending in May 2008 and November 2008, respectively.

In addition to the foregoing, the CC VI (Fanch) credit facilities provide for supplemental credit facilities in the maximum amount of \$300.0 million. These supplemental credit facilities may be in the form of an additional term loan or an aggregate increase in the amount of the term loan A or the revolving facility. These supplemental credit facilities are available, subject to the borrower's ability to obtain additional commitments from lenders. The amortization of the additional term loans under the supplemental credit facilities prior to May 2009 is limited to 1% per annum of the aggregate principal amount of such additional term loans.

The CC VI (Fanch) credit facilities also contain provisions requiring mandatory loan prepayments under specific circumstances, including when significant amounts of assets are sold and the proceeds are not promptly reinvested in assets useful in the business of CC VI Operating.

The CC VI (Fanch) credit facilities provide CC VI Operating with the following two interest rate options, to which a margin is added: a base rate option, generally the prime rate of interest; and an interest rate option rate based on the interbank Eurodollar rate. Interest rates for the CC VI (Fanch) credit facilities, as well as a fee payable on unborrowed amounts available thereunder, depend upon performance measured by a leverage ratio, which is the ratio of indebtedness to

annualized operating cash flow. This leverage ratio is based on the debt of CC VI Operating and its subsidiaries. The interest rate margins for the CC VI (Fanch) credit facilities are as follows:

- with respect to the revolving loan facility and term loan A, the margin ranges from 1.0% to 2.25% for eurodollar loans and from 0.0% to 1.25% for base rate loans; and
- with respect to term loan B, the margin ranges from 2.50% to 3.00% for eurodollar loans and from 1.50% to 2.00% for base rate loans.

The CC VI (Fanch) credit facilities contain representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default for the CC VI (Fanch) credit facilities include a cross-default provision that is triggered by the failure to make payment on debt of CC VI Operating, CC VI Holdings and the subsidiaries of CC VI Operating in a total amount of \$25.0 million, the acceleration of debt of this amount prior to its maturity or the failure to comply with specified covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense.

The CC VI (Fanch) credit facilities also contain a change of control provision, making it an event of default, and permitting acceleration of the debt, in the event of any of the following:

- Mr. Allen, including his estate, heirs and other related entities, fails to maintain a 25% direct or indirect voting and economic interest in CC VI Operating;
- CC VI Operating is no longer a direct or indirect subsidiary of Charter Communications Holding Company; or
- A change of control occurs under specified indebtedness of CC VI Holdings, CC VI Operating or CC VI Operating's subsidiaries.

Various negative covenants place limitations on the ability of CC VI Operating and its subsidiaries to, among other things:

- incur debt;
- pay dividends or make other distributions;
- incur liens;
- make acquisitions;
- make investments or asset sales; or
- enter into transactions with affiliates.

Distributions under the CC VI (Fanch) credit facilities to pay interest on the notes, and the March 1999, January 2000 and January 2001 Charter Holdings notes are generally permitted, provided CC VI Operating's cash flow for the four complete quarters preceding the distribution exceeds 1.75 times its cash interest expense, including the amount of such distribution. Distributions to Charter Holdings will also be permitted if CC VI Operating meets specified financial ratios. In each case, such distributions to Charter Holdings are not permitted during the existence of a default under the CC VI (Fanch) credit facilities.

As of March 31, 2001, there was approximately \$901.0 million outstanding and approximately \$299.0 million was available for borrowing under the CC VI (Fanch) credit facilities. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of

the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been approximately \$850.0 million and the unused availability would have been approximately \$350.0 million. However, debt covenants limit the amount that can be borrowed to \$122.3 million at March 31, 2001.

**BRESNAN CREDIT FACILITIES.** In connection with the CC VIII (Bresnan) acquisition, our subsidiary, CC VIII Operating, LLC (formerly Bresnan Telecommunications Company, LLC) amended and restated its previous senior secured credit facilities and increased the available borrowings under the facilities. At the closing of the Bresnan acquisition, we borrowed approximately \$599.9 million to replace the borrowings outstanding under the previous credit facilities and an additional \$31.3 million to fund a portion of the Bresnan purchase price.

Upon completion of the Bresnan/Avalon combination, the CC VIII (Bresnan) credit facilities were again amended and restated. The following description reflects such amendment and restatement.

The obligations under the CC VIII (Bresnan) credit facilities are guaranteed by the parent company of the Bresnan borrower, CC VIII Holdings, LLC (formerly Bresnan Communications Group LLC), and by the subsidiaries of the Bresnan borrower. The obligations under the CC VIII (Bresnan) credit facilities are secured by pledges of the ownership interests and intercompany obligations of the Bresnan borrower and its subsidiaries, but are not secured by other assets of the Bresnan borrower or its subsidiaries. The CC VIII (Bresnan) credit facilities are also secured by a pledge of CC VIII Holdings' equity interest in the Bresnan borrower and intercompany obligations with respect to the Bresnan borrower.

The CC VIII (Bresnan) credit facilities provide for borrowings of up to \$1.45 billion, consisting of:

- a reducing revolving loan facility in the amount of \$450.0 million;
- two tranche term loans A facilities in the aggregate amount of \$500.0 million; and
- two tranche term loans B facilities in the amount of \$500.0 million.

The CC VIII (Bresnan) credit facilities provide for the amortization of the principal amount of the term loan A facilities and the reduction of the revolving loan facility beginning March 31, 2002, with a final maturity date of June 30, 2007. The amortization of the term loan B facilities is substantially "back-ended", with more than ninety percent of the principal balance due on the final maturity date of February 2, 2008. The CC VIII (Bresnan) credit facilities also provide for two incremental facilities of up to a total \$500.0 million, which are conditioned upon receipt of additional commitments from lenders. If the incremental facilities become available, they may be in the form of revolving loans, term A loans or to a limited extent term B loans, but may not amortize more quickly than the reducing revolving loan facility or the term loan A facilities, and may not have a final maturity date earlier than six calendar months after the maturity date of the term loan B facilities.

The CC VIII (Bresnan) credit facilities provide the following two interest rate options, to which a margin is added: a base rate, generally the "prime rate" of interest; and an interest rate option based on the interbank eurodollar rate. Interest rate margins for the CC VIII (Bresnan) credit

facilities depend upon performance measured by a leverage ratio, which is the ratio of total debt to annualized operating cash flow. The leverage ratio is based on the debt of the Bresnan borrower and its subsidiaries. The interest rate margins for the CC VIII (Bresnan) credit facilities are as follows:

- with respect to the term loan A facilities and the revolving loan facility, the margin ranges from 0.75% to 2.25% for eurodollar loans and from 0.0% to 1.25% for base rate loans; and
- with respect to the term loan B facilities, the margin ranges from 2.5% to 2.75% for eurodollar loans and from 1.5% to 1.75% for base rate loans.

The CC VIII (Bresnan) credit facilities contain various representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default for the CC VIII (Bresnan) credit facilities include a cross-default provision that is triggered by, among other things, the failure to make payment on the debt of the Bresnan borrower, its subsidiaries and CC VIII Holdings in a total amount in excess of \$25.0 million, the acceleration of debt of this amount prior to its maturity or failure to comply with specified covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense.

Certain negative covenants place limitations on the ability of the Bresnan borrower and its restricted subsidiaries to, among other things:

- incur debt;
- pay dividends or make other distributions;
- incur liens;
- make acquisitions;
- make investments or asset sales; or
- enter into transactions with affiliates.

The CC VIII (Bresnan) credit facilities contain a change in control provision making it an event of default permitting acceleration of the debt in the event of any of the following:

- Mr. Allen, including his estate, heirs and related entities, fails to maintain, directly or indirectly, at least 51% voting interest in the Bresnan borrower, or ceases to own of record or beneficially, directly or indirectly, at least 25% of the equity interests of the Bresnan borrower;
- a change of control or similar defined term shall occur in any agreement governing debt of CC VIII Holdings or the Bresnan borrower, and such debt is at least in the amount of \$25.0 million;
- Charter Communications Holding Company shall cease to own, directly or indirectly, at least 51% of the equity interests in the Bresnan borrower; or
- the Bresnan borrower shall cease to be a direct wholly owned subsidiary of CC VIII Holdings.

Distributions under the CC VIII (Bresnan) credit facilities to Charter Holdings to pay interest on the notes, the March 1999, January 2000 and January 2001 Charter Holdings notes are generally permitted, provided the borrower's consolidated cash flow for the four complete quarters preceding

the distribution exceeds 1.75 times its cash interest expense, including the amount of such distribution. Distributions to Charter Holdings are also conditioned on the borrower meeting specified financial ratios. In each case, such distributions to Charter Holdings are not permitted during the existence of a default under the CC VIII (Bresnan) credit facilities. Distributions to Charter Holdings to pay interest on the March 1999, January 2000, January 2001 and May 2001 Charter Holdings notes are also subject to the restricted payment provisions contained in the indenture for the 11.875% notes of CC V Holdings, LLC, the parent of the Bresnan borrower.

As of March 31, 2001, there was approximately \$1.0 billion outstanding and approximately \$445.0 million was available for borrowing under the CC VIII (Bresnan) credit facilities. As of March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the receipt of net proceeds from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the AT&T purchase price, outstanding borrowings would have been approximately \$1.0 billion and unused availability would have been approximately \$450.0 million.

#### EXISTING PUBLIC DEBT

**MARCH 1999 CHARTER HOLDINGS NOTES.** The March 1999 Charter Holdings notes were issued under three separate indentures, each dated as of March 17, 1999, among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. Charter Holdings and Charter Capital exchanged these notes for new March 1999 Charter Holdings notes with substantially similar terms, except that the new March 1999 Charter Holdings notes are registered under the Securities Act and, therefore, do not bear legends restricting their transfer.

The March 1999 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The March 1999 8.250% Charter Holdings notes mature on April 1, 2007 and as of December 31, 2000, there was \$600 million in total principal amount outstanding. The March 1999 8.625% Charter Holdings notes mature on April 1, 2009 and as of December 31, 2000, there was \$1.5 billion in total principal amount outstanding. The March 1999 9.920% Charter Holdings notes mature on April 1, 2011 and as of December 31, 2000, the total accreted value was \$1.08 billion. Cash interest on the March 1999 9.920% Charter Holdings notes will not accrue prior to April 1, 2004.

The March 1999 Charter Holdings notes are senior debts of Charter Holdings and Charter Capital. They rank equally with the current and future unsecured and unsubordinated debt of Charter Holdings, including the January 2000 and January 2001 Charter Holdings notes.

Charter Holdings and Charter Capital will not have the right to redeem the March 1999 8.250% Charter Holdings notes prior to their maturity date on April 1, 2007. Before April 1, 2002, Charter Holdings and Charter Capital may redeem up to 35% of each of the March 1999 8.625% Charter Holdings notes and the March 1999 9.920% Charter Holdings notes, in each case, at a premium with the proceeds of certain offerings of equity securities. In addition, on or after April 1, 2004, Charter Holdings and Charter Capital may redeem some or all of the March 1999 8.625% Charter Holdings notes and the March 1999 9.920% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of March 1999 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after April 1, 2007.



In the event of a specified change of control event, Charter Holdings and Charter Capital must offer to repurchase any then outstanding March 1999 Charter Holdings notes at 101% of their principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the March 1999 Charter Holdings notes contain certain covenants that restrict the ability of Charter Holdings and Charter Capital and their restricted subsidiaries to:

- incur additional debt;
- create specified liens;
- pay dividends on stock or repurchase stock;
- make investments;
- sell all or substantially all of our assets or merge with or into other companies;
- sell assets;
- in the case of restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to us; and
- engage in certain transactions with affiliates.

JANUARY 2000 CHARTER HOLDINGS NOTES. The January 2000 Charter Holdings notes were issued under three separate indentures, each dated as of January 12, 2000, among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. In June 2000, Charter Holdings and Charter Capital exchanged these notes for new January 2000 Charter Holdings notes, with substantially similar terms, except that the new January 2000 Charter Holdings notes are registered under the Securities Act and, therefore, do not bear legends restricting their transfer.

The January 2000 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The January 2000 10.00% Charter Holdings notes mature on April 1, 2009, and as of December 31, 2000, there was \$675 million in total principal amount of these notes outstanding. The January 2000 10.25% Charter Holdings notes mature on January 15, 2010 and as of December 31, 2000, there was \$325 million in total principal amount of these notes outstanding. The January 2000 11.75% Charter Holdings notes mature on January 15, 2010 and as of December 31, 2000, the total accreted value of these notes was approximately \$335.5 million. Cash interest on the January 2000 11.75% Charter Holdings notes will not accrue prior to January 15, 2005.

The January 2000 Charter Holdings notes are senior debts of Charter Holdings and Charter Capital. They rank equally with the current and future unsecured and unsubordinated debt of Charter Holdings, including the March 1999 and January 2001 Charter Holdings notes.

Charter Holdings and Charter Capital will not have the right to redeem the January 2000 10.00% Charter Holdings notes prior to their maturity date on April 1, 2009. Before January 15, 2003, Charter Holdings and Charter Capital may redeem up to 35% of the January 2000 10.25% Charter Holdings notes and the January 2000 11.75% Charter Holdings notes, in each case, at a premium with the proceeds of certain offerings of equity securities. In addition, on or after January 15, 2005, Charter Holdings and Charter Capital may redeem some or all of the January 2000 10.25% Charter Holdings notes and the January 2000 11.75% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2000 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2008.

In the event of a specified change of control event, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2000 Charter Holdings notes at 101% of their aggregate principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2000 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 Charter Holdings notes.

**JANUARY 2001 CHARTER HOLDINGS NOTES.** The January 2001 Charter Holdings notes were issued under three separate indentures, each dated as of January 10, 2001, each among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. In March 2001, Charter Holdings and Charter Capital exchanged these notes for new January 2001 Charter Holdings notes, with substantially similar terms, except that the new January 2001 Charter Holdings notes are registered under the Securities Act and, therefore, do not bear legends restricting their transfer, registration rights or provisions for special interest.

The January 2001 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The January 2001 10.750% Charter Holdings notes issued in the aggregate principal amount of \$900 million mature on October 1, 2009. The January 2001 11.125% Charter Holdings notes issued in the aggregate principal amount of \$500 million mature on January 15, 2011. The January 2001 13.500% Charter Holdings notes issued in the aggregate principal amount at maturity of \$675 million mature on January 15, 2011. Cash interest on the January 2001 13.500% Charter Holdings notes will not accrue prior to January 15, 2006.

The January 2001 Charter Holdings notes are senior debts of Charter Holdings and Charter Capital. They rank equally with the current and future unsecured and unsubordinated debt of Charter Holdings, including the March 1999 and January 2000 notes.

Charter Holdings and Charter Capital will not have the right to redeem the January 2001 10.750% Charter Holdings notes prior to their maturity date on October 1, 2009. Before January 15, 2004, Charter Holdings and Charter Capital may redeem up to 35% of the January 2001 11.125% Charter Holdings notes and the January 2001 13.500% Charter Holdings notes, in each case at a premium, with the proceeds of certain offerings of equity securities. In addition, on or after January 15, 2006, Charter Holdings and Charter Capital may redeem some or all of the January 2001 11.125% Charter Holdings notes and the January 2001 13.500% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2001 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2009.

In the event of a specified change of control event, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2001 Charter Holdings notes at 101% of their aggregate principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2001 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 and January 2000 Charter Holdings notes.

**RENAISSANCE NOTES.** The 10% senior discount notes due 2008 were issued by Renaissance Media (Louisiana) LLC, Renaissance Media (Tennessee) LLC and Renaissance Media Holdings Capital Corporation, with Renaissance Media Group LLC as guarantor and the United States Trust Company of New York as trustee. Renaissance Media Group LLC, which is the direct or indirect parent company of these issuers, is now a subsidiary of Charter Operating. The Renaissance 10% notes and the Renaissance guarantee are unsecured, unsubordinated debt of the issuers and the

guarantor, respectively. In October 1998, the issuers of the Renaissance notes exchanged \$163.2 million of the original issued and outstanding Renaissance notes for an equivalent value of new Renaissance notes. The form and terms of the new Renaissance notes are the same in all material respects as the form and terms of the original Renaissance notes except that the issuance of the new Renaissance notes was registered under the Securities Act.

There will not be any payment of interest in respect of the Renaissance notes prior to October 15, 2003. Interest on the Renaissance notes shall be paid semi-annually in cash at a rate of 10% per annum beginning on October 15, 2003. The Renaissance notes are redeemable at the option of the issuers thereof, in whole or in part, at any time on or after April 15, 2003, initially at 105% of their principal amount at maturity, plus accrued interest, declining to 100% of the principal amount at maturity, plus accrued interest, on or after April 15, 2006. In addition, at any time prior to April 15, 2001, the issuers of the Renaissance notes may redeem up to 35% of the original total principal amount at maturity of the Renaissance notes with the proceeds of one or more sales of equity interests at 110% of their accreted value on the redemption date, provided that after any such redemption at least \$106.0 million total principal amount at maturity of Renaissance notes remains outstanding.

Our acquisition of Renaissance triggered change of control provisions of the Renaissance notes that required us to offer to purchase the Renaissance notes at a purchase price equal to 101% of their accreted value on the date of the purchase, plus accrued interest, if any. In May 1999, we made an offer to repurchase the Renaissance notes, and holders of Renaissance notes representing 30% of the total principal amount outstanding at maturity tendered their Renaissance notes for repurchase.

The indentures governing the Renaissance 10% notes contain certain covenants that restrict the ability of the issuers of the Renaissance notes and their restricted subsidiaries to:

- incur additional debt;
- create liens;
- engage in sale-leaseback transactions;
- pay dividends or make other distributions in respect of their equity interests;
- redeem capital stock;
- make investments or certain other restricted payments;
- sell assets;
- issue or sell capital stock of restricted subsidiaries;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

The Renaissance notes contain events of default that include a cross-default provision triggered by the failure of Renaissance Media Group LLC or any of its specified subsidiaries to make payment on debt at maturity with a total principal amount of \$10.0 million or more or the acceleration of debt of this amount prior to maturity.

As of March 31, 2001, there was outstanding \$114.4 million total principal amount at maturity of Renaissance notes, with an accreted value of \$96.7 million.

AVALON 11.875% NOTES. On December 10, 1998, CC V Holdings, LLC, formerly known as Avalon Cable LLC, and CC V Holdings Finance, Inc. (formerly Avalon Cable Holdings Finance, Inc.) jointly issued \$196.0 million total principal amount at maturity of 11.875% senior discount notes due 2008. On July 22, 1999, the issuers exchanged \$196.0 million of the original issued and outstanding Avalon notes for an equivalent amount of new Avalon notes. The form and terms of the new Avalon notes are substantially identical to the original Avalon notes except that they are registered under the Securities Act and, therefore, are not subject to the same transfer restrictions.

The Avalon notes are guaranteed by certain subsidiaries of CC V Holdings.

There will be no current payments of cash interest on the Avalon notes before December 1, 2003. The Avalon notes accrete in value at a rate of 11.875% per annum, compounded semi-annually, to an aggregate principal amount of \$196.0 million on December 1, 2003. After December 1, 2003, cash interest on the Avalon notes:

- will accrue at the rate of 11.875% per year on the principal amount at maturity; and
- will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing June 1, 2004.

On December 1, 2003, the issuers of the Avalon notes will be required to redeem an amount equal to \$369.79 per \$1,000 in principal amount at maturity of each Avalon note, on a pro rata basis, at a redemption price of 100% of the principal amount then outstanding at maturity of the Avalon notes so redeemed.

On or after December 1, 2003, the issuers of the Avalon notes may redeem the Avalon notes, in whole or in part, at a specified premium. The optional redemption price declines to 100% of the principal amount of the Avalon notes redeemed, plus accrued and unpaid interest, if any, for redemptions on or after December 1, 2006. Before December 1, 2001, the issuers may redeem up to 35% of the total principal amount at maturity of the Avalon notes with the proceeds of one or more equity offerings and/or equity investments.

In the event of specified change of control events, holders of the Avalon notes have the right to sell their Avalon notes to the issuers of the Avalon notes at 101% of:

- the accreted value of the Avalon notes in the case of repurchases of Avalon notes prior to December 1, 2003; or
- the total principal amount of the Avalon notes in the case of repurchases of Avalon notes on or after December 1, 2003, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

Our acquisition of Avalon triggered this right. On December 3, 1999, we commenced a change of control repurchase offer with respect to the Avalon notes. In January 2000, we completed change of control offers in which we repurchased \$16.3 million aggregate principal amount of the 11.875% notes at a purchase price of 101% of accreted value as of January 28, 2000. The aggregate repurchase price of \$10.5 million was funded with proceeds of the sale of the January 2000 Charter Holdings notes.

Among other restrictions, the indenture governing the Avalon notes limits the ability of the issuers and their specified subsidiaries to:

- incur additional debt;
- pay dividends or make other specified restricted payments;

- enter into transactions with affiliates;
- make certain investments;
- sell assets or subsidiary stock;
- engage in sale-leaseback transactions;
- create liens;
- create or permit to exist restrictions dividends or other payments from restricted subsidiaries;
- redeem equity interests;
- merge, consolidate or sell all or substantially all of their combined assets; and
- with respect to restricted subsidiaries, issue capital stock.

The Avalon notes contain events of default that include a cross-default provision triggered by the failure of CC V Operating, CC V Holdings Finance, Inc. or any specified subsidiary to make payment on debt with a total principal amount of \$5.0 million or more or the acceleration of debt of this amount prior to maturity.

As of March 31, 2001, the total principal amount at maturity of the outstanding Avalon notes was \$179.8 million, with an accreted value of \$135.2 million.

CHARTER COMMUNICATIONS, INC. OCTOBER 2000 CONVERTIBLE SENIOR NOTES. The Charter Communications, Inc. convertible senior notes were issued under an indenture dated October 30, 2000 between Charter Communications, Inc., as the issuer, and BNY Midwest Trust Company, as trustee. Charter Holdings is not an obligor or guarantor with respect to the convertible senior notes.

The Charter Communications, Inc. convertible senior notes are general unsecured obligations of Charter Communications, Inc. The Charter Communications, Inc. convertible senior notes mature on October 15, 2005. There are \$750.0 million total principal amount of these notes outstanding.

The Charter Communication, Inc. convertible senior notes are senior debts of Charter Communications, Inc. and rank equally with any of Charter Communications, Inc.'s future unsecured and unsubordinated debt, but are structurally subordinated to all existing and future indebtedness and other liabilities of Charter Communications, Inc.'s subsidiaries.

Charter Communications, Inc. has the right to redeem the Charter Communications, Inc. convertible senior notes on or after October 15, 2003 at specified redemption prices plus accrued and unpaid interest to the redemption date. The Charter Communications, Inc. convertible senior notes are convertible at the option of the holder into shares of Charter Communications, Inc.'s Class A common stock at a conversion rate of 46.3822 shares of Class A common stock per \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$21.56 per share. The conversion rate is subject to adjustment in certain events. The Charter Communications, Inc. convertible senior notes are convertible at any time before the close of business on October 15, 2005, unless Charter Communications, Inc. has previously redeemed or repurchased the notes. Holders of the convertible senior notes called for redemption or submitted for repurchase are entitled to convert the notes up to and including, but not after, the business day prior to the date fixed for redemption or repurchase, as the case may be.

In the event of a specified change of control event, Charter Communications, Inc. must offer to repurchase any then-outstanding Charter Communications, Inc. convertible senior notes at 100% of their principal amount plus accrued interest to the repurchase date.

## INTERCOMPANY LOANS

For a description of certain intercompany loans made by Charter Communications, Inc., Charter Communications Holding Company and Charter Holdings to certain of their subsidiaries, see "Certain Relationships and Related Transactions--Transactions with Management and Others--Intercompany Loans."

## DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the term "Charter Holdings" refers only to Charter Communications Holdings, LLC and the term "issuers" means Charter Holdings and Charter Communications Holdings Capital Corporation.

The original notes were issued and the new notes will be issued under three separate indentures, each dated May 15, 2001 (the "Indentures"), among the Issuers and BNY Midwest Trust Company, as trustee. Although, for convenience, the eight-year senior notes, the ten-year senior notes and the senior discount notes are referred to as the "new notes," the eight-year senior notes, the ten-year senior notes and the senior discount notes will be issued each as a separate series and will not together have any class voting or other rights. The terms of the new notes include those stated in the indentures and those made part of the indentures by reference to the Trust Indenture Act of 1939.

The form and terms of the new notes are the same in all material respects as to the form and terms of the original notes, except that the new notes will have been registered under the Securities Act of 1933 and, therefore, will not bear legends restricting their transfer. The original notes have not been registered under the Securities Act of 1933 and are subject to certain transfer restrictions.

The following description is a summary of the material provisions of the indentures. It does not restate the indentures in their entirety. We urge you to read the indentures because they, and not this description, define your rights as holders of the new notes. Copies of the indentures are available as set forth under "-- Additional Information."

## BRIEF DESCRIPTION OF THE NOTES

The notes:

- are general unsecured obligations of the issuers;
- are effectively subordinated in right of payment to all existing and future secured Indebtedness of the issuers to the extent of the value of the assets securing such Indebtedness;
- are structurally subordinated in the right of payment to all liabilities (including trade payables) of Charter Holdings' Subsidiaries (other than Charter Communications Holdings Capital Corporation);
- are equal in right of payment to all existing and future unsubordinated, unsecured Indebtedness of the issuers, including the March 1999, January 2000 and January 2001 Charter Holdings notes; and
- are senior in right of payment to any future subordinated Indebtedness of the issuers.

At March 31, 2001, pro forma for (1) the issuance and sale of the original notes and the application of the net proceeds therefrom; (2) the issuance of additional equity to Charter Communications Holding Company in exchange for the net proceeds received from Charter Communications Holding Company from the sale by Charter Communications, Inc. of its May 2001 senior convertible notes and from the May 2001 sale by Charter Communications, Inc. of additional shares of its Class A common stock; (3) the use of such proceeds to repay all amounts outstanding under the Charter Operating, CC VI (Fanch), CC VII (Falcon) and CC VIII (Bresnan) revolving credit facilities; and (4) the closing of the AT&T transactions and the borrowings under the Charter Operating credit facility to pay a portion of the purchase price, the outstanding Indebtedness of Charter Holdings and its Subsidiaries would have totaled approximately \$13.8 billion, \$6.0 billion of which would have been Indebtedness of our Subsidiaries and structurally senior to the new notes.

The new notes will rank equally with the senior notes and senior discount notes of the issuers that were issued in March 1999, January 2000 and January 2001.

As of the date of the indentures, all the Subsidiaries of Charter Holdings will be "Restricted Subsidiaries." However, under the circumstances described below under "-- Certain Covenants -- Investments," Charter Holdings will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indentures.

## PRINCIPAL, MATURITY AND INTEREST OF NOTES

### EIGHT-YEAR SENIOR NOTES

The eight-year senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000. The eight-year senior notes will mature on October 1, 2009.

Interest on the eight-year senior notes will accrue at the rate of 9.625% per annum and will be payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2001. The issuers will make each interest payment to the holders of record of the eight-year senior notes on the immediately preceding May 1 and November 1.

Interest on the eight-year senior notes will accrue from the date of issuance of the original notes or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The eight-year senior notes will be issued initially in an aggregate principal amount of \$350 million. Subject to the limitations set forth under "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," Charter Holdings may issue additional eight-year senior notes under the indenture for the eight-year senior notes from time to time. The eight-year senior notes and any additional eight-year senior notes subsequently issued under the indenture for the eight-year senior notes would be treated as a single class for all purposes under such indenture. For purposes of this description, references to the eight-year senior notes include the eight-year senior notes issued on the date of the Indentures and any additional eight-year senior notes subsequently issued under the Indenture for the eight-year senior notes.

### TEN-YEAR SENIOR NOTES

The ten-year senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000. The ten-year senior notes will mature on May 15, 2011.

Interest on the ten-year senior notes will accrue at the rate of 10.000% per annum and will be payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2001. The issuers will make each interest payment to the holders of record of the ten-year senior notes on the immediately preceding May 1 and November 1.

Interest on the ten-year senior notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The ten-year senior notes will be issued initially in an aggregate principal amount of \$575 million. Subject to the limitations set forth under "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," Charter Holdings may issue additional ten-year senior notes under the Indenture for the ten-year senior notes from time to time. The ten-year senior notes and any additional ten-year senior notes subsequently issued under the Indenture for the ten-year senior notes would be treated as a single class for all purposes under such Indenture. For purposes of this description, references to the ten-year senior notes include the ten-year senior notes issued on the



date of the Indentures and any additional senior notes subsequently issued under the Indenture for the ten-year senior notes.

#### SENIOR DISCOUNT NOTES

The issue price of each senior discount note will be \$565.02 per \$1,000 principal amount at maturity, generating aggregate gross proceeds of \$575,190,360 and representing a yield to maturity of 11.750% (calculated on a semi-annual bond equivalent basis) calculated from May 15, 2001. The issuers will issue senior discount notes in denominations of \$1,000 principal amount at maturity and integral multiples of \$1,000 principal amount at maturity. The senior discount notes will mature on May 15, 2011.

Cash interest on the senior discount notes will not accrue prior to May 15, 2006. Thereafter, cash interest on the senior discount notes will accrue at a rate of 11.750% per annum and will be payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2006. The issuers will make each interest payment to the holders of record of the senior discount notes on the immediately preceding May 1 and November 1. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The senior discount notes will accrete at a rate of 11.750% per year to an aggregate amount of \$1,018 million as of November 15, 2006. The senior discount notes will be limited in aggregate principal amount at maturity to \$1,018 million.

For United States federal income tax purposes, holders of the senior discount notes will be required to include amounts in gross income in advance of the receipt of the cash payments to which the income is attributable. See "Material United States Federal Income Tax Considerations."

#### OPTIONAL REDEMPTION

##### EIGHT-YEAR SENIOR NOTES

The eight-year senior notes will not be redeemable at the issuers' option prior to maturity.

##### TEN-YEAR SENIOR NOTES

At any time prior to May 15, 2004, the issuers may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the ten-year senior notes on a pro rata basis (or nearly as pro rata as practicable) at a redemption price of 110.000% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings, provided that

(1) at least 65% of the aggregate principal amount of ten-year senior notes remains outstanding immediately after the occurrence of such redemption (excluding ten-year senior notes held by Charter Holdings and its Subsidiaries), and

(2) the redemption must occur within 60 days of the date of the closing of such Equity Offering.

Except pursuant to the preceding paragraph, the ten-year senior notes will not be redeemable at the issuers' option prior to May 15, 2006.

On or after May 15, 2006, the issuers may redeem all or a part of the ten-year senior notes upon not less than 30 nor more than 60 days notice at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, if any, to the applicable

redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

YEAR	PERCENTAGE
2006.....	105.000%
2007.....	103.333%
2008.....	101.667%
thereafter.....	100.000%

SENIOR DISCOUNT NOTES

At any time prior to May 15, 2004, the issuers may, on any one or more occasions, redeem up to 35% of the aggregate principal amount at maturity of the senior discount notes on a pro rata basis (or nearly as pro rata as practicable) at a redemption price of 111.750% of the Accreted Value thereof, with the net cash proceeds of one or more Equity Offerings, provided that

(1) at least 65% of the aggregate principal amount at maturity of senior discount notes remains outstanding immediately after the occurrence of such redemption (excluding senior discount notes held by Charter Holdings and its Subsidiaries), and

(2) the redemption must occur within 60 days of the date of the closing of such Equity Offering.

Except pursuant to the preceding paragraph, the senior discount notes will not be redeemable at the issuers' option prior to May 15, 2006.

On or after May 15, 2006, the issuers may redeem all or a part of the senior discount notes upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount at maturity) set forth below plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on January 15 of the years indicated below.

YEAR	PERCENTAGE
2006.....	105.875%
2007.....	103.917%
2008.....	101.958%
thereafter.....	100.000%

REPURCHASE AT THE OPTION OF HOLDERS

CHANGE OF CONTROL

If a Change of Control occurs, each holder of new notes will have the right to require the issuers to repurchase all or any part (equal to \$1,000 or an integral multiple thereof) of that holder's new notes pursuant to a "Change of Control Offer." In the Change of Control Offer, the issuers will offer a "Change of Control Payment" in cash equal to:

(x) with respect to the eight-year senior notes and the ten-year senior notes, 101% of the aggregate principal amount thereof repurchased plus accrued and unpaid interest thereon, if any, to the date of purchase; and

(y) with respect to the senior discount notes, 101% of the Accreted Value plus, for any Change of Control Offer occurring after the Full Accretion Date, accrued and unpaid interest, if any, to the date of purchase.

Within ten days following any Change of Control, the issuers will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on a certain date (the "Change of Control Payment Date") specified in such notice,

pursuant to the procedures required by the indentures and described in such notice. The issuers will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934 (or any successor rules) and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control.

On the Change of Control Payment Date, the issuers will, to the extent lawful:

- (1) accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the trustee the notes so accepted together with an officers' certificate stating the aggregate principal amount of notes or portions thereof being purchased by the issuers.

The paying agent will promptly pay to each holder of notes so tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount or principal amount at maturity, as applicable, to any unpurchased portion of the notes surrendered, if any, provided that each such new note will be in a principal amount or principal amount at maturity, as applicable, of \$1,000 or an integral multiple thereof.

The provisions described above that require the issuers to make a Change of Control Offer following a Change of Control will be applicable regardless of whether or not any other provisions of the indentures are applicable. Except as described above with respect to a Change of Control, the indentures will not contain provisions that permit the holders of the notes to require that the issuers repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indentures applicable to a Change of Control Offer made by the issuers and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

The definition of Change of Control includes a phrase relating to the sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of Charter Holdings and its Subsidiaries, taken as a whole, or of a Parent and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require the issuers to repurchase such notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Charter Holdings and its Subsidiaries, taken as a whole, or of a Parent and its Subsidiaries, taken as a whole, to another Person or group may be uncertain.

#### ASSET SALES

Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) Charter Holdings or a Restricted Subsidiary of Charter Holdings receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) such fair market value is determined by Charter Holdings' board of directors and evidenced by a resolution of such board of directors set forth in an officers' certificate delivered to the trustee; and

(3) at least 75% of the consideration therefor received by Charter Holdings or such Restricted Subsidiary is in the form of cash, Cash Equivalents or readily marketable securities.

For purposes of this provision, each of the following shall be deemed to be cash:

(a) any liabilities (as shown on Charter Holdings' or such Restricted Subsidiary's most recent balance sheet) of Charter Holdings or any Restricted Subsidiary of Charter Holdings (other than contingent liabilities and liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases Charter Holdings or such Restricted Subsidiary from further liability;

(b) any securities, notes or other obligations received by Charter Holdings or any such Restricted Subsidiary from such transferee that are converted by Charter Holdings or such Restricted Subsidiary into cash, Cash Equivalents or readily marketable securities within 60 days after receipt thereof (to the extent of the cash, Cash Equivalents or readily marketable securities received in that conversion); and

(c) Productive Assets.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, Charter Holdings or a Restricted Subsidiary of Charter Holdings may apply such Net Proceeds at its option:

(1) to repay debt under the Credit Facilities or any other Indebtedness of the Restricted Subsidiaries of Charter Holdings (other than Indebtedness represented by a guarantee of a Restricted Subsidiary of Charter Holdings); or

(2) to invest in Productive Assets, provided that any Net Proceeds which Charter Holdings or a Restricted Subsidiary of Charter Holdings has committed to invest in Productive Assets within 365 days of the applicable Asset Sale may be invested in Productive Assets within two years of such Asset Sale.

The amount of any Net Proceeds received by Charter Holdings or a Restricted Subsidiary of Charter Holdings from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds \$25 million, the issuers will make an Asset Sale Offer to all holders of notes and all holders of other Indebtedness that is of equal priority with the notes containing provisions requiring offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of notes and such other Indebtedness of equal priority that may be purchased out of the Excess Proceeds (which amount includes the entire amount of the Net Proceeds). The offer price in any Asset Sale Offer will be payable in cash and equal to:

(1) with respect to the eight-year senior notes and the ten-year senior notes, 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase; and

(2) with respect to the senior discount notes, 100% of the Accreted Value thereof plus, after the Full Accretion Date, accrued and unpaid interest, if any, to the date of purchase.

If any Excess Proceeds remain after consummation of an Asset Sale Offer, Charter Holdings or a Restricted Subsidiary of Charter Holdings may use such Excess Proceeds for any purpose not otherwise prohibited by the indentures. If the aggregate principal amount of notes and such other Indebtedness of equal priority tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee shall select the notes and such other Indebtedness of equal priority to be

purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

#### SELECTION AND NOTICE

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption as follows:

(1) if the notes are listed, in compliance with the requirements of the principal national securities exchange on which the notes are listed; or

(2) if the notes are not so listed, on a pro rata basis, by lot or by such method as the trustee shall deem fair and appropriate.

No notes of \$1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder thereof upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on, or the Accreted Value ceases to increase on, as the case may be, notes or portions of them called for redemption.

#### CERTAIN COVENANTS

Set forth in this section are summaries of certain covenants contained in the Indentures.

During any period of time that (a) any of the eight-year senior notes, ten-year senior notes or the senior discount notes have Investment Grade Ratings from both Rating Agencies and (b) no Default or Event of Default has occurred and is continuing under the applicable Indenture, Charter Holdings and its Restricted Subsidiaries will not be subject to the provisions of the indentures described under:

- "-- Repurchase at the Option of Holders -- Asset Sales,"
- "-- Restricted Payments,"
- "-- Investments,"
- "-- Incurrence of Indebtedness and Issuance of Preferred Stock,"
- "-- Dividend and Other Payment Restrictions Affecting Subsidiaries,"
- clause (D) of the first paragraph of "-- Merger, Consolidation and Sale of Assets,"
- "-- Transactions with Affiliates" and
- "-- Sale and Leaseback Transactions."

If Charter Holdings and its Restricted Subsidiaries are not subject to these covenants for any period of time as a result of the previous sentence and, subsequently, one, or both, of the Rating Agencies withdraws its ratings or downgrades the ratings assigned to the applicable notes below the required Investment Grade Ratings or a Default or Event of Default occurs and is continuing, then Charter Holdings and its Restricted Subsidiaries will thereafter again be subject to these covenants. The ability of Charter Holdings and its Restricted Subsidiaries to make Restricted Payments after the time of such withdrawal, downgrade, Default or Event of Default will be calculated as if the covenant governing Restricted Payments had been in effect during the entire period of time from the date of the Indentures.

## RESTRICTED PAYMENTS

Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Charter Holdings' or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Charter Holdings or any of its Restricted Subsidiaries) or to the direct or indirect holders of Charter Holdings' or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable (x) solely in Equity Interests (other than Disqualified Stock) of Charter Holdings or (y), in the case of Charter Holdings and its Restricted Subsidiaries, to Charter Holdings or a Restricted Subsidiary of Charter Holdings);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Charter Holdings or any of its Restricted Subsidiaries) any Equity Interests of Charter Holdings or any direct or indirect parent of Charter Holdings or any Restricted Subsidiary of Charter Holdings (other than, in the case of Charter Holdings and its Restricted Subsidiaries, any such Equity Interests owned by Charter Holdings or any Restricted Subsidiary of Charter Holdings); or

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated to the notes, except a payment of interest or principal at the Stated Maturity thereof

(all such payments and other actions set forth in clauses (1) through (3) above are collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(2) Charter Holdings would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Leverage Ratio test set forth in the first paragraph of the covenant described below under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Charter Holdings and each of its Restricted Subsidiaries after March 17, 1999 (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7) and (8) of the next succeeding paragraph), shall not exceed, at the date of determination, the sum of:

(a) an amount equal to 100% of the Consolidated EBITDA of Charter Holdings since March 17, 1999 to the end of Charter Holdings' most recently ended full fiscal quarter for which internal financial statements are available, taken as a single accounting period, less the product of 1.2 times the Consolidated Interest Expense of Charter Holdings since March 17, 1999 to the end of Charter Holdings' most recently ended full fiscal quarter for which internal financial statements are available, taken as a single accounting period, plus

(b) an amount equal to 100% of Capital Stock Sale Proceeds less any such Capital Stock Sale Proceeds used in connection with (i) an Investment made pursuant to clause (5) of the definition of "Permitted Investments" or (ii) the incurrence of Indebtedness pursuant to clause (10) of the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock," plus

(c) \$100 million.

So long as no Default has occurred and is continuing or would be caused thereby, the preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indentures;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of Charter Holdings in exchange for, or out of the net proceeds of, the substantially concurrent sale (other than to a Subsidiary of Charter Holdings) of Equity Interests of Charter Holdings (other than Disqualified Stock), provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness of Charter Holdings or any of its Restricted Subsidiaries with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) regardless of whether a Default then exists, the payment of any dividend or distribution to the extent necessary to permit direct or indirect beneficial owners of shares of Capital Stock of Charter Holdings to pay federal, state or local income tax liabilities that would arise solely from income of Charter Holdings or any of its Restricted Subsidiaries, as the case may be, for the relevant taxable period and attributable to them solely as a result of Charter Holdings (and any intermediate entity through which the holder owns such shares) or any of its Restricted Subsidiaries being a limited liability company, partnership or similar entity for federal income tax purposes;

(5) regardless of whether a Default then exists, the payment of any dividend by a Restricted Subsidiary of Charter Holdings to the holders of its common Equity Interests on a pro rata basis;

(6) the payment of any dividend on the Helicon Preferred Stock or the redemption, repurchase, retirement or other acquisition of the Helicon Preferred Stock in an amount not in excess of its aggregate liquidation value;

(7) the repurchase, redemption or other acquisition or retirement for value, or the payment of any dividend or distribution to the extent necessary to permit the repurchase, redemption or other acquisition or retirement for value, of any Equity Interests of Charter Holdings or a Parent held by any member of Charter Holdings' or such Parent's management pursuant to any management equity subscription agreement or membership or stock option agreement in effect as of the date of the indenture, provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed \$10 million in any fiscal year of Charter Holdings; and

(8) payment of fees in connection with any acquisition, merger or similar transaction in an amount that does not exceed an amount equal to 1.25% of the transaction value of such acquisition, merger or similar transaction.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Charter Holdings or any of its Restricted Subsidiaries pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant shall be determined by the board of directors of Charter Holdings whose resolution with respect thereto shall be delivered to the trustee. Such board of directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds \$100 million.

Not later than the date of making any Restricted Payment, Charter Holdings shall deliver to the trustee an officers' certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indentures.

#### INVESTMENTS

Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) make any Restricted Investment; or

(2) allow any Restricted Subsidiary of Charter Holdings to become an Unrestricted Subsidiary,

unless, in each case:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) Charter Holdings would, at the time of, and after giving effect to, such Restricted Investment or such designation of a Restricted Subsidiary as an Unrestricted Subsidiary, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Leverage Ratio test set forth in the first paragraph of the covenant described below under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock."

An Unrestricted Subsidiary may be redesignated as a Restricted Subsidiary if such redesignation would not cause a Default.

#### INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK

(a) Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and Charter Holdings will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock unless the Leverage Ratio would have been not greater than 8.75 to 1.0 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom) as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, at the beginning of the most recently ended fiscal quarter.

So long as no Default shall have occurred and be continuing or would be caused thereby, the first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by Charter Holdings and its Restricted Subsidiaries of Indebtedness under the Credit Facilities, provided that the aggregate principal amount of all Indebtedness of Charter Holdings and its Restricted Subsidiaries outstanding under all Credit Facilities, after giving effect to such incurrence, does not exceed an amount equal to \$3.5 billion less the aggregate amount of all Net Proceeds of Asset Sales applied by Charter Holdings or any of its Subsidiaries in the case of an Asset Sale since March 17, 1999 to repay Indebtedness under a Credit Facility pursuant to the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales";

(2) the incurrence by Charter Holdings and its Restricted Subsidiaries of Existing Indebtedness (other than the Credit Facilities);



(3) the incurrence on the date of the Indentures by Charter Holdings and its Restricted Subsidiaries of Indebtedness represented by the notes;

(4) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement (including, without limitation, the cost of design, development, construction, acquisition, transportation, installation, improvement, and migration) of Productive Assets of Charter Holdings Company or any of its Restricted Subsidiaries, in an aggregate principal amount not to exceed \$75 million at any time outstanding;

(5) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace, in whole or in part, Indebtedness (other than intercompany Indebtedness) that was permitted by the indentures to be incurred under the first paragraph of this covenant or clauses (2) or (3) of this paragraph;

(6) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of intercompany Indebtedness between or among Charter Holdings and any of its Wholly Owned Restricted Subsidiaries, provided that:

(a) if Charter Holdings is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all obligations with respect to the notes; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Charter Holdings or a Wholly Owned Restricted Subsidiary thereof and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either Charter Holdings or a Wholly Owned Restricted Subsidiary thereof, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by Charter Holdings or any of its Restricted Subsidiaries that was not permitted by this clause (6);

(7) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the indentures to be outstanding;

(8) the guarantee by Charter Holdings of Indebtedness of a Restricted Subsidiary of Charter Holdings that was permitted to be incurred by another provision of this covenant;

(9) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount at any time outstanding not to exceed \$300 million;

(10) the incurrence by Charter Holdings or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount at any time outstanding not to exceed 200% of the net cash proceeds received by Charter Holdings from the sale of its Equity Interests (other than Disqualified Stock) after March 17, 1999 to the extent such net cash proceeds have not been applied to make Restricted Payments or to effect other transactions pursuant to the covenant described above under the subheading "-- Restricted Payments" or to make Permitted Investments pursuant to clause (5) of the definition thereof; and

(11) the accretion or amortization of original issue discount and the write up of Indebtedness in accordance with purchase accounting.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness (a) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (11) above or (b) is entitled to be incurred pursuant to the first paragraph of this covenant, Charter Holdings will be permitted to classify and from time to time to reclassify such item of Indebtedness in any manner that complies with this covenant. For avoidance of doubt, Indebtedness incurred pursuant to a single agreement, instrument, program, facility or line of credit may be classified as Indebtedness arising in part under one of the clauses listed above, and in part under any one or more of the clauses listed above, to the extent that such Indebtedness satisfies the criteria for such clauses.

(b) Notwithstanding the foregoing, in no event shall any Restricted Subsidiary of Charter Holdings consummate a Subordinated Debt Financing or a Preferred Stock Financing. A "Subordinated Debt Financing" or a "Preferred Stock Financing," as the case may be, with respect to any Restricted Subsidiary of Charter Holdings shall mean a public offering or private placement (whether pursuant to Rule 144A under the Securities Act or otherwise) of Subordinated Notes or Preferred Stock (whether or not such Preferred Stock constitutes Disqualified Stock), as the case may be, of such Restricted Subsidiary to one or more purchasers (other than to one or more Affiliates of Charter Holdings). "Subordinated Notes" with respect to any Restricted Subsidiary of Charter Holdings shall mean Indebtedness of such Restricted Subsidiary that is contractually subordinated in right of payment to any other Indebtedness of such Restricted Subsidiary (including, without limitation, Indebtedness under the Credit Facilities). The foregoing limitation shall not apply to

(i) any Indebtedness or Preferred Stock of any Person existing at the time such Person is merged with or into or became a Subsidiary of Charter Holdings, provided that such Indebtedness or Preferred Stock was not incurred or issued in connection with, or in contemplation of, such Person merging with or into, or becoming a Subsidiary of, Charter Holdings, and

(ii) any Indebtedness or Preferred Stock of a Restricted Subsidiary issued in connection with, and as part of the consideration for, an acquisition, whether by stock purchase, asset sale, merger or otherwise, in each case involving such Restricted Subsidiary, which Indebtedness or Preferred Stock is issued to the seller or sellers of such stock or assets, provided that such Restricted Subsidiary is not obligated to register such Indebtedness or Preferred Stock under the Securities Act or obligated to provide information pursuant to Rule 144A under the Securities Act.

#### LIENS

Charter Holdings will not, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables on any asset now owned or hereafter acquired, except Permitted Liens.

#### DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES

Charter Holdings will not, directly or indirectly, create or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of Charter Holdings to:

(1) pay dividends or make any other distributions on its Capital Stock to Charter Holdings or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to Charter Holdings or any of its Restricted Subsidiaries;

(2) make loans or advances to Charter Holdings or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to Charter Holdings or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) Existing Indebtedness as in effect on the date of the Indentures (including, without limitation, the Credit Facilities) and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such Existing Indebtedness, as in effect on the date of the Indentures;

(2) the Indentures and the notes;

(3) applicable law;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by Charter Holdings or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indentures to be incurred;

(5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary of Charter Holdings that restricts distributions by such Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens securing Indebtedness otherwise permitted to be incurred pursuant to the provisions of the covenant described above under the caption "-- Liens" that limit the right of Charter Holdings or any of its Restricted Subsidiaries to dispose of the assets subject to such Lien;

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(12) restrictions contained in the terms of Indebtedness permitted to be incurred under the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock," provided that such restrictions are no more restrictive than the terms contained in the Credit Facilities as in effect on the date of the Indentures; and

(13) restrictions that are not materially more restrictive than customary provisions in comparable financings and the management of Charter Holdings determines that such restrictions will not materially impair Charter Holdings' ability to make payments as required under the notes.

#### MERGER, CONSOLIDATION, OR SALE OF ASSETS

Neither of the issuers may, directly or indirectly, (1) consolidate or merge with or into another Person (whether or not such issuer is the surviving corporation) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person; unless:

(A) either:

(i) such issuer is the surviving corporation; or

(ii) the Person formed by or surviving any such consolidation or merger (if other than such issuer) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made is a Person organized or existing under the laws of the United States, any state thereof or the District of Columbia, provided that if the Person formed by or surviving any such consolidation or merger with either issuer is a limited liability company or a Person other than a corporation, a corporate co-issuer shall also be an obligor with respect to the notes;

(B) the Person formed by or surviving any such consolidation or merger (if other than Charter Holdings) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all the obligations of Charter Holdings under the notes and the Indentures pursuant to agreements reasonably satisfactory to the trustee;

(C) immediately after such transaction no Default or Event of Default exists; and

(D) Charter Holdings or the Person formed by or surviving any such consolidation or merger (if other than Charter Holdings) will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, either:

(i) be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Leverage Ratio test set forth in the first paragraph of the covenant described above under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock" or

(ii) have a Leverage Ratio immediately after giving effect to such consolidation or merger no greater than the Leverage Ratio immediately prior to such consolidation or merger.

In addition, Charter Holdings may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. This "Merger, Consolidation, or Sale of Assets" covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among Charter Holdings and any of its Wholly Owned Subsidiaries.

#### TRANSACTIONS WITH AFFILIATES

Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract,

agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(1) such Affiliate Transaction is on terms that are no less favorable to Charter Holdings or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Charter Holdings or such Restricted Subsidiary with an unrelated Person; and

(2) Charter Holdings delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$15 million, a resolution of the board of directors of Charter Holdings set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the members of the board of directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$50 million, an opinion as to the fairness to the holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items shall not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any existing employment agreement entered into by Charter Holdings or any of its Subsidiaries and any employment agreement entered into by Charter Holdings or any of its Restricted Subsidiaries in the ordinary course of business and consistent with the past practice of Charter Holdings or such Restricted Subsidiary;

(2) transactions between or among Charter Holdings and/or its Restricted Subsidiaries;

(3) payment of reasonable directors fees to Persons who are not otherwise Affiliates of Charter Holdings, and customary indemnification and insurance arrangements in favor of directors, regardless of affiliation with Charter Holdings or any of its Restricted Subsidiaries;

(4) payment of management fees pursuant to management agreements either (A) existing on the date of the Indentures or (B) entered into after the date of the Indentures, to the extent that such management agreements provide for percentage fees no higher than the percentage fees existing under the management agreements existing on the date of the Indentures;

(5) Restricted Payments that are permitted by the provisions of the covenant described above under the caption "-- Restricted Payments" and Restricted Investments that are permitted by the provisions of the covenant described above under the caption "-- Investments"; and

(6) Permitted Investments.

#### SALE AND LEASEBACK TRANSACTIONS

Charter Holdings will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction, provided that Charter Holdings may enter into a sale and leaseback transaction if:

(1) Charter Holdings could have

(a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Leverage Ratio test in the first paragraph of the covenant described above under the caption "-- Incurrence of Additional Indebtedness and Issuance of Preferred Stock" and

(b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "-- Liens"; and

(2) the transfer of assets in that sale and leaseback transaction is permitted by, and Charter Holdings applies the proceeds of such transaction in compliance with, the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales."

The foregoing restrictions do not apply to a sale and leaseback transaction if the lease is for a period, including renewal rights, of not in excess of three years.

#### LIMITATIONS ON ISSUANCES OF GUARANTEES OF INDEBTEDNESS

Charter Holdings will not permit any of its Restricted Subsidiaries, directly or indirectly, to Guarantee or pledge any assets to secure the payment of any other Indebtedness of Charter Holdings, except in respect of the Credit Facilities (the "Guaranteed Indebtedness") unless

(1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee (a "Subsidiary Guarantee") of the payment of the notes by such Restricted Subsidiary, and

(2) until one year after all the notes have been paid in full in cash, such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against Charter Holdings or any other Restricted Subsidiary of Charter Holdings as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee, provided that this paragraph shall not be applicable to any Guarantee or any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

If the Guaranteed Indebtedness is subordinated to the notes, then the Guarantee of such Guaranteed Indebtedness shall be subordinated to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the notes.

#### PAYMENTS FOR CONSENT

Charter Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indentures or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

#### REPORTS

Whether or not required by the Securities and Exchange Commission, so long as any notes are outstanding, Charter Holdings will furnish to the holders of notes, within the time periods specified in the Securities and Exchange Commission's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Securities and Exchange Commission on Forms 10-Q and 10-K if Charter Holdings were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and, with respect to the annual information only, a report on the annual financial statements by Charter Holdings' independent public accountants; and

(2) all current reports that would be required to be filed with the Securities and Exchange Commission on Form 8-K if Charter Holdings were required to file such reports.

If Charter Holdings has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of Charter Holdings and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Charter Holdings.

In addition, whether or not required by the Securities and Exchange Commission, Charter Holdings will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Securities and Exchange Commission for public availability within the time periods specified in the Securities and Exchange Commission's rules and regulations, unless the Securities and Exchange Commission will not accept such a filing, and make such information available to securities analysts and prospective investors upon request.

#### EVENTS OF DEFAULT AND REMEDIES

Each of the following is an Event of Default with respect to the notes of each series:

(1) default for 30 days in the payment when due of interest on the notes;

(2) default in payment when due of the principal of or premium, if any, on the notes;

(3) failure by Charter Holdings or any of its Restricted Subsidiaries to comply with the provisions described under the captions "-- Repurchase at the Option of Holders -- Change of Control" or "-- Certain Covenants -- Merger, Consolidation, or Sale of Assets";

(4) failure by Charter Holdings or any of its Restricted Subsidiaries for 30 days after written notice thereof has been given to Charter Holdings by the trustee or to Charter Holdings and the trustee by holders of at least 25% of the aggregate principal amount of the notes outstanding to comply with any of their other covenants or agreements in the Indentures;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Charter Holdings or any of its Restricted Subsidiaries (or the payment of which is guaranteed by Charter Holdings or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indentures, if that default:

(a) is caused by a failure to pay at final stated maturity the principal amount on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$100 million or more;

(6) failure by Charter Holdings or any of its Restricted Subsidiaries to pay final judgments which are non-appealable aggregating in excess of \$100 million (net of applicable insurance which has not been denied in writing by the insurer) which judgments are not paid, discharged or stayed for a period of 60 days; and

(7) Charter Holdings or any of its Significant Subsidiaries pursuant to or within the meaning of bankruptcy law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a custodian of it or for all or substantially all of its property, or

(d) makes a general assignment for the benefit of its creditors; or

(8) a court of competent jurisdiction enters an order or decree under any bankruptcy law that:

(a) is for relief against Charter Holdings or any of its Significant Subsidiaries in an involuntary case;

(b) appoints a custodian of Charter Holdings or any of its Significant Subsidiaries or for all or substantially all of the property of Charter Holdings or any of its Significant Subsidiaries; or

(c) orders the liquidation of Charter Holdings or any of its Significant Subsidiaries;

and the order or decree remains unstayed and in effect for 60 consecutive days.

In the case of an Event of Default described in the foregoing clauses (7) and (8) with respect to Charter Holdings, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the then outstanding notes of each series may declare their respective notes to be due and payable immediately.

Holders of notes of each series may not enforce the Indentures or the notes except as provided in the Indentures. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes of each series may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The holders of a majority in aggregate principal amount of the notes of each series then outstanding by notice to the trustee may on behalf of the holders of all of the notes waive any existing Default or Event of Default and its consequences under the Indentures except a continuing Default or Event of Default in the payment of interest on, or the principal of, the notes.

Charter Holdings will be required to deliver to the trustee annually a statement regarding compliance with the Indentures. Upon becoming aware of any Default or Event of Default, Charter Holdings will be required to deliver to the trustee a statement specifying such Default or Event of Default.

#### NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS AND STOCKHOLDERS

No director, officer, employee, incorporator, member or stockholder of Charter Holdings, as such, shall have any liability for any obligations of Charter Holdings under the notes or the indentures, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release will be part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.



## LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Charter Holdings may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding notes ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the Accreted Value or principal of, premium, if any, and interest on such notes when such payments are due from the trust referred to below;

(2) Charter Holdings' obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and Charter Holdings' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indentures.

In addition, Charter Holdings may, at its option and at any time, elect to have the obligations of Charter Holdings released with respect to certain covenants that are described in the Indentures ("Covenant Defeasance") and thereafter any omission to comply with those covenants shall not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) Charter Holdings must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding notes on the stated maturity or on the applicable redemption date, as the case may be, and Charter Holdings must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, Charter Holdings shall have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that

(a) Charter Holdings has received from, or there has been published by, the Internal Revenue Service a ruling or

(b) since the date of the Indentures, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, Charter Holdings shall have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing either:

(a) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit); or

(b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the indentures) to which Charter Holdings or any of its Restricted Subsidiaries is a party or by which Charter Holdings or any of its Restricted Subsidiaries is bound;

(6) Charter Holdings must have delivered to the trustee an opinion of counsel to the effect that after the 91st day, assuming no intervening bankruptcy, that no holder is an insider of Charter Holdings following the deposit and that such deposit would not be deemed by a court of competent jurisdiction a transfer for the benefit of either issuer in its capacity as such, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) Charter Holdings must deliver to the trustee an officers' certificate stating that the deposit was not made by Charter Holdings with the intent of preferring the holders of notes over the other creditors of Charter Holdings with the intent of defeating, hindering, delaying or defrauding creditors of Charter Holdings or others; and

(8) Charter Holdings must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Notwithstanding the foregoing, the opinion of counsel required by clause (2) above with respect to a Legal Defeasance need not be delivered if all notes not theretofore delivered to the trustee for cancellation

(a) have become due and payable or

(b) will become due and payable on the maturity date within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the issuers.

#### AMENDMENT, SUPPLEMENT AND WAIVER

Except as provided below, the Indentures or the notes of each series may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount, in the case of the eight-year senior notes and the ten-year senior notes, and aggregate principal amount at maturity, in the case of the senior discount notes, of the then outstanding notes of each series. This includes consents obtained in connection with a purchase of notes, a tender offer for notes or an exchange offer for notes. Any existing Default or compliance with any provision of the Indentures or the notes may be waived with the consent of the holders of a majority in aggregate principal amount, in the case of the eight-year senior notes and the ten-year senior notes, and aggregate principal amount at maturity, in the case of the senior discount notes, of the then outstanding notes of each series. This includes consents obtained in connection with a purchase of notes, a tender offer for notes or an exchange offer for notes. Without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter the payment provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "-- Repurchase at the Option of Holders");

(3) reduce the rate of or extend the time for payment of interest on any note;

(4) waive a Default or an Event of Default in the payment of principal of or premium, if any, or interest on the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the Indentures relating to waivers of past Defaults or the rights of holders of notes to receive payments of Accreted Value or principal of, or premium, if any, or interest on the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "-- Repurchase at the Option of Holders");

(8) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, the issuers and the trustee may amend or supplement the Indentures or the notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of either issuer's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of such issuer's assets;

(4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the Indentures of any such holder; or

(5) to comply with requirements of the Securities and Exchange Commission in order to effect or maintain the qualification of the indentures under the Trust Indenture Act or otherwise as necessary to comply with applicable law.

#### GOVERNING LAW

The Indentures and the notes will be governed by the laws of the State of New York.

#### CONCERNING THE TRUSTEE

If the trustee becomes a creditor of Charter Holdings, the Indentures limit its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Securities and Exchange Commission for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to

certain exceptions. The Indentures provide that in case an Event of Default shall occur and be continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the

trustee will be under no obligation to exercise any of its rights or powers under the Indentures at the request of any holder of notes, unless such holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

#### ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the Indentures and the registration rights agreements without charge by writing to Charter Communications Holdings, LLC, Charter Plaza 12405 Powerscourt Drive, St. Louis, Missouri 63131, Attention: Corporate Secretary.

#### BOOK-ENTRY, DELIVERY AND FORM

Except as set forth below, notes will be issued in registered, global form in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

The notes initially will be issued in the form of global securities filed in book-entry form. The notes will be deposited upon issuance with the trustee, as custodian for The Depository Trust Company ("DTC"), in New York, New York, and registered in the name of DTC or its nominee, the DTC, and the DTC or its nominee will initially be the sole registered holder of the notes for all purposes under the Indentures. Unless it is exchanged in whole or in part for debt securities in definitive form as described below, a global security may not be transferred. However, transfers of the whole security between the DTC and its nominee or their respective successors are permitted.

Upon the issuance of a global security, the DTC or its nominee will credit on its internal system the principal amount at maturity of the individual beneficial interest represented by the global security acquired by the persons in sale of the original notes. Ownership of beneficial interests in a global security will be limited to persons that have accounts with the DTC or persons that hold interests through participants. Ownership of beneficial interests will be shown on, and the transfer of such ownership will be effected only through, records maintained by the DTC or its nominee with respect to interests of participants and the records of participants with respect to interests of persons other than participants. The laws of some jurisdictions require that some purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global security. Principal and interest payments on global securities registered in the name of the DTC's nominee will be made in immediate available funds to the DTC's nominee as the registered owner of the global securities. The issuers and the trustee will treat the DTC's nominee as the owner of the global securities for all other purposes as well. Accordingly, the issuers, the trustee, any paying agent and the initial purchasers will have no direct responsibility or liability for any aspect of the records relating to payments made on account of beneficial interests in the global securities or for maintaining, supervising or reviewing any records relating to these beneficial interests. It is the DTC's current practice, upon receipt of any payment of principal or interest, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interests in the global securities. These payments will be the responsibility of the direct and indirect participants and not of the DTC, the issuers, the trustee or the initial purchasers.

So long as the DTC or its nominee is the registered owner or holder of the global security, the DTC or its nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global security for the purposes of:

- (1) receiving payment on the notes;
- (2) receiving notices; and
- (3) for all other purposes under the Indentures and the notes.

Beneficial interests in the notes will be evidenced only by, and transfers of the notes will be effected only through, records maintained by the DTC and its participants.

Except as described above, owners of beneficial interests in a global security will not be entitled to receive physical delivery of certificated notes in definitive form and will not be considered the holders of the global security for any purposes under the Indentures. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of the DTC. And, if that person is not a participant, the person must rely on the procedures of the participant through which that person owns its interest, to exercise any rights of a holder under the Indentures. Under existing industry practices, if the issuers request any action of holders or an owner of a beneficial interest in a global security desires to take any action under the Indentures, the DTC would authorize the participants holding the relevant beneficial interest to take that action. The participants then would authorize beneficial owners owning through the participants to take the action or would otherwise act upon the instructions of beneficial owners owning through them.

The DTC has advised the issuers that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account the DTC interests in the global security are credited. Further, the DTC will take action only as to the portion of the aggregate principal amount at maturity of the notes as to which the participant or participants has or have given the direction. Although the DTC has agreed to the procedures described above in order to facilitate transfers of interests in global securities among participants of the DTC, it is under no obligation to perform these procedures, and the procedures may be discontinued at any time. None of the issuers, the trustee, any agent of the issuers or the initial purchasers will have any responsibility for the performance by the DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The DTC has provided the following information to us. The DTC is a:

- (1) limited-purpose trust company organized under the New York Banking Law;
- (2) a banking organization within the meaning of the New York Banking Law;
- (3) a member of the United States Federal Reserve System;
- (4) a clearing corporation within the meaning of the New York Uniform Commercial Code; and
- (5) a clearing agency registered under the provisions of Section 17A of the Securities Exchange Act.

#### EXCHANGE OF BOOK-ENTRY NOTES FOR CERTIFICATED NOTES

Notes represented by a global security are exchangeable for certificated notes only if:

- (1) the DTC notifies the issuers that it is unwilling or unable to continue as depository or if the DTC ceases to be a registered clearing agency, and a successor depository is not appointed by the issuers within 90 days;
- (2) the issuers determine not to require all of the notes to be represented by a global security and notifies the trustee of its decision; or
- (3) an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default relating to the notes represented by the global security has occurred and is continuing.

Any global security that is exchangeable for certificated notes in accordance with the preceding sentence will be transferred to, and registered and exchanged for, certificated notes in authorized denominations and registered in the names as the DTC or its nominee may direct. However, a global

security is only exchangeable for a global security of like denomination to be registered in the name of the DTC or its nominee. If a global security becomes exchangeable for certificated notes:

(1) certificated notes will be issued only in fully registered form in denominations of \$1,000 or integral multiples of \$1,000;

(2) payment of principal, premium, if any, and interest on the certificated notes will be payable, and the transfer of the certificated notes will be registrable, at the office or agency of the issuers maintained for these purposes; and

(3) no service charge will be made for any issuance of the certificated notes, although the issuers may require payment of a sum sufficient to cover any tax or governmental charge imposed in connection with the issuance.

CERTAIN DEFINITIONS

This section sets forth certain defined terms used in the Indentures. Reference is made to the Indentures for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"ACCRETED VALUE" is defined to mean, for any specified date, the amount calculated pursuant to (1), (2), (3) or (4) for each \$1,000 of principal amount at maturity of the senior discount notes:

(1) if the specified date occurs on one or more of the following dates (each a "Semi-Annual Accrual Date") the Accreted Value will equal the amount set forth below for such Semi-Annual Accrual Date:

SEMI-ANNUAL ACCRETED ACCRUAL DATE VALUE ---	----- Issue
Date.....	\$ 565.02 November 15,
2001.....	598.21 May 15,
2002.....	633.36 November 15,
2002.....	670.57 May 15,
2003.....	709.96 November 15,
2003.....	751.67 May 15,
2004.....	795.84 November 15,
2004.....	842.59 May 15,
2005.....	892.09 November 15,
2005.....	944.51 May 15,
2006.....	1,000.00

(2) if the specified date occurs before the first Semi-Annual Accrual Date, the Accreted Value will equal the sum of

- (a) \$565.02 and
- (b) an amount equal to the product of
  - (x) the Accreted Value for the first Semi-Annual Accrual Date less \$565.02 multiplied by
  - (y) a fraction, the numerator of which is the number of days from the date of the Indentures to the specified date, using a 360-day year of twelve 30-day months, and the denominator of which is the number of days elapsed from the date of the Indentures to the first Semi-Annual Accrual Date, using a 360-day year of twelve 30-day months;

(3) if the specified date occurs between two Semi-Annual Accrual Dates, the Accreted Value will equal the sum of

(a) the Accreted Value for the Semi-Annual Accrual Date immediately preceding such specified date and

(b) an amount equal to the product of

(x) the Accreted Value for the immediately following Semi-Annual Accrual Date less the Accreted Value for the immediately preceding Semi-Annual Accrual Date multiplied by

(y) a fraction, the numerator of which is the number of days from the immediately preceding Semi-Annual Accrual Date to the specified date, using a 360-day year of twelve 30-day months, and the denominator of which is 180, or;

(4) if the specified date occurs after the last Semi-Annual Accrual Date, the Accreted Value will equal \$1,000.

"ACQUIRED DEBT" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, provided that beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"ASSET ACQUISITION" means

(a) an Investment by Charter Holdings or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary of Charter Holdings or any of its Restricted Subsidiaries or shall be merged with or into Charter Holdings or any of its Restricted Subsidiaries, or

(b) the acquisition by Charter Holdings or any of its Restricted Subsidiaries of the assets of any Person which constitute all or substantially all of the assets of such Person, any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"ASSET SALE" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights, other than sales of inventory in the ordinary course of business consistent with past practices, provided that the sale, conveyance or other disposition of all or substantially all of the assets of Charter Holdings and its Restricted Subsidiaries, taken as a whole, will be governed by the provisions of the Indentures described above under the caption "-- Repurchase at the Option of Holders -- Change of Control" and/or the provisions described above under the caption "-- Certain



Covenants -- Merger, Consolidation, or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance of Equity Interests by any of Charter Holdings' Restricted Subsidiaries or the sale of Equity Interests in any of Charter Holdings' Restricted Subsidiaries.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that:

(a) involves assets having a fair market value of less than \$100 million; or

(b) results in net proceeds to Charter Holdings and its Restricted Subsidiaries of less than \$100 million;

(2) a transfer of assets between or among Charter Holdings and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Wholly Owned Restricted Subsidiary of Charter Holdings or to another Wholly Owned Restricted Subsidiary of Charter Holdings;

(4) a Restricted Payment that is permitted by the covenant described above under the caption "-- Certain Covenants -- Restricted Payments" and a Restricted Investment that is permitted by the covenant described above under the caption "-- Certain Covenants -- Investments"; and

(5) the incurrence of Permitted Liens and the disposition of assets related to such Permitted Liens by the secured party pursuant to a foreclosure.

"ATTRIBUTABLE DEBT" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessee, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"BENEFICIAL OWNER" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as such term is used in Section 13(d)(3) of the Exchange Act) such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition.

"CABLE RELATED BUSINESS" means the business of owning cable television systems and businesses ancillary, complementary and related thereto.

"CAPITAL LEASE OBLIGATION" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"CAPITAL STOCK" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest (other than any debt obligation) or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"CAPITAL STOCK SALE PROCEEDS" means the aggregate net cash proceeds (including the fair market value of the non-cash proceeds, as determined by an independent appraisal firm) received by Charter Holdings since March 17, 1999

(x) as a contribution to the common equity capital or from the issue or sale of Equity Interests of Charter Holdings (other than Disqualified Stock) or

(y) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of Charter Holdings that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of Charter Holdings).

"CASH EQUIVALENTS" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition;

(3) certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any domestic commercial bank having combined capital and surplus in excess of \$500 million and a Thompson Bank Watch Rating at the time of acquisition of "B" or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having a rating of at least "P-1" from Moody's or at least "A-1" from S&P and in each case maturing within twelve months after the date of acquisition;

(6) corporate debt obligations maturing within twelve months after the date of acquisition thereof, rated at the time of acquisition at least "Aaa" or "P-1" by Moody's or "AAA" or "A-1" by S&P;

(7) auction-rate preferred stocks of any corporation maturing not later than 45 days after the date of acquisition thereof, rated at the time of acquisition at least "Aaa" by Moody's or "AAA" by S&P;

(8) securities issued by any state, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, maturing not later than six months after the date of acquisition thereof, rated at the time of acquisition at least "A" by Moody's or S&P; and

(9) money market or mutual funds at least 90% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (8) of this definition.

"CHANGE OF CONTROL" means the occurrence of any of the following:

(1) the sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Charter Holdings and its Subsidiaries, taken as a whole, or of a Parent and its Subsidiaries,

taken as a whole, to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than Paul G. Allen or a Related Party;

(2) the adoption of a plan relating to the liquidation or dissolution of Charter Holdings or a Parent;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above) other than Paul G. Allen and Related Parties becomes the Beneficial Owner, directly or indirectly, of more than 35% of the Voting Stock of Charter Holdings or a Parent, measured by voting power rather than the number of shares, unless Paul G. Allen or a Related Party Beneficially Owns, directly or indirectly, a greater percentage of Voting Stock of Charter Holdings or such Parent, as the case may be, measured by voting power rather than the number of shares, than such person;

(4) after the date of the Indentures, the first day on which a majority of the members of the board of directors of Charter Holdings or a Parent are not Continuing Directors; or

(5) Charter Holdings or a Parent consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, Charter Holdings or a Parent, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of Charter Holdings or such Parent is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of Charter Holdings or such Parent outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person immediately after giving effect to such issuance.

"CONSOLIDATED EBITDA" means with respect to any Person, for any period, the net income of such Person and its Restricted Subsidiaries for such period plus, to the extent such amount was deducted in calculating such net income:

(1) Consolidated Interest Expense;

(2) income taxes;

(3) depreciation expense;

(4) amortization expense;

(5) all other non-cash items, extraordinary items, nonrecurring and unusual items and the cumulative effects of changes in accounting principles reducing such net income, less all non-cash items, extraordinary items, nonrecurring and unusual items and cumulative effects of changes in accounting principles increasing such net income, all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in conformity with GAAP;

(6) amounts actually paid during such period pursuant to a deferred compensation plan; and

(7) for purposes of the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock" only, Management Fees;

provided that Consolidated EBITDA shall not include:

(x) the net income (or net loss) of any Person that is not a Restricted Subsidiary ("Other Person"), except

(i) with respect to net income, to the extent of the amount of dividends or other distributions actually paid to such Person or any of its Restricted Subsidiaries by such Other Person during such period and

(ii) with respect to net losses, to the extent of the amount of investments made by such Person or any Restricted Subsidiary of such Person in such Other Person during such period;

(y) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to clause (3) of the covenant described under the caption "-- Certain Covenants -- Restricted Payments" (and in such case, except to the extent includable pursuant to clause (x) above) the net income (or net loss) of any Other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with such Person or any Restricted Subsidiaries or all or substantially all of the property and assets of such Other Person are acquired by such Person or any of its Restricted Subsidiaries; and

(z) the net income of any Restricted Subsidiary of Charter Holdings to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary (other than any agreement or instrument evidencing Indebtedness or Preferred Stock (i) outstanding on the Issue Date, or (ii) incurred or issued thereafter in compliance with the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock", provided that (a) the terms of any such agreement or instrument restricting the declaration and payment of dividends or similar distributions apply only in the event of a default with respect to a financial covenant or a covenant relating to payment (beyond any applicable period of grace) contained in such agreement or instrument, (b) such terms are determined by such Person to be customary in comparable financings and (c) such restrictions are determined by Charter Holdings not to materially affect the issuers' ability to make principal or interest payments on the notes when due).

"CONSOLIDATED INDEBTEDNESS" means, with respect to any Person as of any date of determination, the sum, without duplication, of:

(1) the total amount of outstanding Indebtedness of such Person and its Restricted Subsidiaries, plus

(2) the total amount of Indebtedness of any other Person, that has been Guaranteed by the referent Person or one or more of its Restricted Subsidiaries, plus

(3) the aggregate liquidation value of all Disqualified Stock of such Person and all Preferred Stock of Restricted Subsidiaries of such Person, in each case, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED INTEREST EXPENSE" means, with respect to any Person for any period, without duplication, the sum of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization or original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations); and

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; and

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon);

excluding, however, any amount of such interest of any Restricted Subsidiary of the referent Person if the net income of such Restricted Subsidiary is excluded in the calculation of Consolidated EBITDA pursuant to clause (z) of the definition thereof (but only in the same proportion as the net income of such Restricted Subsidiary is excluded from the calculation of Consolidated EBITDA pursuant to clause (z) of the definition thereof), in each case, on a consolidated basis and in accordance with GAAP.

"CONTINUING DIRECTORS" means, as of any date of determination, any member of the board of directors of Charter Holdings or a Parent who:

(1) was a member of such board of directors on the date of the Indentures; or

(2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election or whose election or appointment was previously so approved.

"CREDIT FACILITIES" means, with respect to Charter Holdings and/or its Restricted Subsidiaries, one or more debt facilities or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"DEFAULT" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"DISPOSITION" means, with respect to any Person, any merger, consolidation or other business combination involving such Person (whether or not such Person is the surviving Person) or the sale, assignment, or transfer, lease conveyance or other disposition of all or substantially all of such Person's assets or Capital Stock.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof) or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require Charter Holdings to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Capital Stock provide that Charter Holdings may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

"EQUITY INTERESTS" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"EQUITY OFFERING" means any private or underwritten public offering of Qualified Capital Stock of Charter Holdings or a Parent of which the gross proceeds (x) to Charter Holdings or (y) received by Charter Holdings as a capital contribution from such Parent, as the case may be, are at least \$25 million.

"EXISTING INDEBTEDNESS" means Indebtedness of Charter Holdings and its Restricted Subsidiaries in existence on the date of the Indentures, until such amounts are repaid.

"FULL ACCRETION DATE" means January 15, 2006, the first date on which the Accreted Value of the senior discount notes has accreted to an amount equal to the principal amount at maturity of the senior discount notes.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of the Indentures.

"GUARANTEE" or "GUARANTEE" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness, measured as the lesser of the aggregate outstanding amount of the Indebtedness so guaranteed and the face amount of the guarantee.

"HEDGING OBLIGATIONS" means, with respect to any Person, the obligations of such Person under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(2) interest rate option agreements, foreign currency exchange agreements, foreign currency swap agreements; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in interest and currency exchange rates.

"HELICON PREFERRED STOCK" means the preferred limited liability company interest of Charter-Helicon LLC with an aggregate liquidation value of \$25 million outstanding on the date of the Indentures.

"INDEBTEDNESS" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) in respect of the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; or

(6) representing the notional amount of any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with

GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by such Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"INVESTMENT GRADE RATING" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P.

"INVESTMENTS" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business) and purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"LEVERAGE RATIO" means, as of any date, the ratio of:

(1) the Consolidated Indebtedness of Charter Holdings on such date to

(2) the aggregate amount of Consolidated EBITDA for Charter Holdings for the most recently ended fiscal quarter for which internal financial statements are available multiplied by four (the "Reference Period").

In addition to the foregoing, for purposes of this definition, "Consolidated EBITDA" shall be calculated on a pro forma basis after giving effect to

(1) the issuance of the notes;

(2) the incurrence of the Indebtedness or the issuance of the Disqualified Stock or other Preferred Stock of a Restricted Subsidiary (and the application of the proceeds therefrom) giving rise to the need to make such calculation and any incurrence or issuance (and the application of the proceeds therefrom) or repayment of other Indebtedness or Disqualified Stock or other Preferred Stock of a Restricted Subsidiary, other than the incurrence or repayment of Indebtedness for ordinary working capital purposes, at any time subsequent to the beginning of the Reference Period and on or prior to the date of determination, as if such incurrence (and the application of the proceeds thereof), or the repayment, as the case may be, occurred on the first day of the Reference Period; and

(3) any Dispositions or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its Restricted Subsidiaries (including any person that becomes a Restricted Subsidiary as a result of such Asset Acquisition) incurring, assuming or otherwise becoming liable for or issuing Indebtedness, Disqualified Stock or Preferred Stock) made on or subsequent to the first day of the Reference Period and on or prior to the date of determination, as if such Disposition or Asset Acquisition (including the incurrence, assumption or liability for any such Indebtedness, Disqualified Stock or Preferred Stock and also including any Consolidated EBITDA associated with such Asset Acquisition, including any cost savings adjustments in compliance with

Regulation S-X promulgated by the Securities and Exchange Commission) had occurred on the first day of the Reference Period.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"MANAGEMENT FEES" means the fees payable to Charter Communications, Inc. pursuant to the management agreements between Charter Communications, Inc. and Charter Communications Operating, LLC and between Charter Communications, Inc. and Restricted Subsidiaries of Charter Holdings and pursuant to the limited liability company agreements of certain Restricted Subsidiaries, as such management or limited liability company agreements exist on the Issue Date (or if later, on the date any new Restricted Subsidiary is acquired or created), including any amendment or replacement thereof, provided that any such amendment or replacement is not more disadvantageous to the holders of the notes in any material respect from such management or limited liability company agreements existing on the date of the Indentures.

"MOODY'S" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"NET PROCEEDS" means the aggregate cash proceeds received by Charter Holdings or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result thereof or taxes paid or payable as a result thereof (including amounts distributable in respect of owners', partners' or members' tax liabilities resulting from such sale), in each case after taking into account any available tax credits or deductions and any tax sharing arrangements and amounts required to be applied to the repayment of Indebtedness.

"NON-RECOURSE DEBT" means Indebtedness:

(1) as to which neither Charter Holdings nor any of its Restricted Subsidiaries

(a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness);

(b) is directly or indirectly liable as a guarantor or otherwise;

or

(c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the notes) of Charter Holdings or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the Capital Stock or assets of Charter Holdings or any of its Restricted Subsidiaries.

"PARENT" means Charter Communications, Inc. and/or Charter Communications Holding Company, LLC, as applicable, and any successor Person or any Person succeeding to the direct or indirect ownership of Charter Holdings.



"PERMITTED INVESTMENTS" means:

(1) any Investment by Charter Holdings in a Restricted Subsidiary of Charter Holdings or any Investment by a Restricted Subsidiary of Charter Holdings in Charter Holdings;

(2) any Investment in Cash Equivalents;

(3) any Investment by Charter Holdings or any Restricted Subsidiary of Charter Holdings in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of Charter Holdings; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Charter Holdings or a Restricted Subsidiary of Charter Holdings;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales";

(5) any Investment made out of the net cash proceeds of the issue and sale since March 17, 1999 (other than to a Subsidiary of Charter Holdings) of Equity Interests (other than Disqualified Stock) of Charter Holdings to the extent that

(a) such net cash proceeds have not been applied to make a Restricted Payment or to effect other transactions pursuant to the covenant described above under the caption "-- Certain Covenants -- Restricted Payments," or

(b) such net cash proceeds have not been used to incur Indebtedness pursuant to clause (10) of the covenant described above under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock";

(6) Investments in Productive Assets having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments in Productive Assets made by Charter Holdings and its Restricted Subsidiaries pursuant to this clause (6) since March 17, 1999, not to exceed \$150 million, provided that either Charter Holdings or any of its Restricted Subsidiaries, after giving effect to such Investments, will own at least 20% of the Voting Stock of any Person in which any such Investment is made;

(7) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments in any Person made by Charter Holdings and its Restricted Subsidiaries pursuant to this clause (7) since March 17, 1999, not to exceed \$50 million; and

(8) Investments in customers and suppliers in the ordinary course of business which either

(A) generate accounts receivable, or

(B) are accepted in settlement of bona fide disputes.

"PERMITTED LIENS" means:

(1) Liens on the assets of Charter Holdings securing Indebtedness and other Obligations under clause (1) of the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock";

(2) Liens in favor of Charter Holdings;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Charter Holdings, provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with Charter Holdings;

(4) Liens on property existing at the time of acquisition thereof by Charter Holdings, provided that such Liens were in existence prior to the contemplation of such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) purchase money mortgages or other purchase money liens (including without limitation any Capitalized Lease Obligations) incurred by Charter Holdings upon any fixed or capital assets acquired after the date of the indentures or purchase money mortgages (including without limitation Capitalized Lease Obligations) on any such assets, whether or not assumed, existing at the time of acquisition of such assets, whether or not assumed, so long as

(a) such mortgage or lien does not extend to or cover any of the assets of Charter Holdings, except the asset so developed, constructed, or acquired, and directly related assets such as enhancements and modifications thereto, substitutions, replacements, proceeds (including insurance proceeds), products, rents and profits thereof, and

(b) such mortgage or lien secures the obligation to pay the purchase price of such asset, interest thereon and other charges, costs and expenses (including, without limitation, the cost of design, development, construction, acquisition, transportation, installation, improvement, and migration) and is incurred in connection therewith (or the obligation under such Capitalized Lease Obligation) only;

(7) Liens existing on the date of the Indentures (other than in connection with the Credit Facilities);

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(9) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(10) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(11) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligation, bankers' acceptance, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(12) easements, rights-of-way, municipal and zoning ordinances and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of Charter Holdings or any of its Restricted Subsidiaries;

(13) Liens of franchisors or other regulatory bodies arising in the ordinary course of business;

(14) Liens arising from filing Uniform Commercial Code financing statements regarding leases or other Uniform Commercial Code financing statements for precautionary purposes relating to arrangements not constituting Indebtedness;

(15) Liens arising from the rendering of a final judgment or order against Charter Holdings or any of its Restricted Subsidiaries that does not give rise to an Event of Default;

(16) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(17) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations and forward contracts, options, future contracts, future options or similar agreements or arrangements designed solely to protect Charter Holdings or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;

(18) Liens consisting of any interest or title of licensor in the property subject to a license;

(19) Liens on the Capital Stock of Unrestricted Subsidiaries;

(20) Liens arising from sales or other transfers of accounts receivable which are past due or otherwise doubtful of collection in the ordinary course of business;

(21) Liens incurred in the ordinary course of business of Charter Holdings, with respect to obligations which in the aggregate do not exceed \$50 million at any one time outstanding;

(22) Liens in favor of the trustee arising under the provisions in the Indentures under the subheading "-- Compensation and Indemnity"; and

(23) Liens in favor of the trustee for its benefit and the benefit of holders of the notes, as their respective interests appear.

"PERMITTED REFINANCING INDEBTEDNESS" means any Indebtedness of Charter Holdings or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund, other Indebtedness of Charter Holdings or any of its Restricted Subsidiaries (other than intercompany Indebtedness), provided that unless permitted otherwise by the Indentures, no Indebtedness of Charter Holdings or any of its Restricted Subsidiaries may be issued in exchange for, nor may the net proceeds of Indebtedness be used to extend, refinance, renew, replace, defease or refund, Indebtedness of Charter Holdings or any of its Restricted Subsidiaries, provided further that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable) plus accrued interest and premium, if any, on the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable expenses incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by Charter Holdings or by any of its Restricted Subsidiaries who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"PERSON" means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"PREFERRED STOCK," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which by its terms is preferred in right of payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"PRODUCTIVE ASSETS" means assets (including assets of a referent Person owned directly or indirectly through ownership of Capital Stock) of a kind used or useful in the Cable Related Business.

"QUALIFIED CAPITAL STOCK" means any Capital Stock that is not Disqualified Stock.

"RATING AGENCIES" means Moody's and S&P.

"RELATED PARTY" means: (1) the spouse or an immediate family member, estate or heir of Paul G. Allen; or (2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of Paul G. Allen and/or such other Persons referred to in the immediately preceding clause (1).

"RESTRICTED INVESTMENT" means an Investment other than a Permitted Investment.

"RESTRICTED SUBSIDIARY" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. or any successor to the rating agency business thereof.

"SIGNIFICANT SUBSIDIARY" means any Restricted Subsidiary of Charter Holdings which is a "Significant Subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act.

"STATED MATURITY" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness on the date of the Indentures, or, if none, the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"SUBSIDIARY" means, with respect to any Person:

(1) any corporation, association or other business entity of which at least 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other

Subsidiaries of that Person (or a combination thereof) and, in the case of any such entity of which 50% of the total voting power of shares of Capital Stock is so owned or controlled by such Person or one or more of the other Subsidiaries of such Person, such Person and its Subsidiaries also have the right to control the management of such entity pursuant to contract or otherwise; and

(2) any partnership

(a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person, or

(b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of Charter Holdings that is designated by the board of directors of Charter Holdings as an Unrestricted Subsidiary pursuant to a board resolution, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with Charter Holdings or any Restricted Subsidiary of Charter Holdings unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to Charter Holdings or any Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of Charter Holdings unless such terms constitute Investments permitted by the covenant described above under the caption "-- Certain Covenants -- Investments";

(3) is a Person with respect to which neither Charter Holdings nor any of its Restricted Subsidiaries has any direct or indirect obligation

(a) to subscribe for additional Equity Interests or

(b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of Charter Holdings or any of its Restricted Subsidiaries; and

(5) has at least one director on its board of directors that is not a director or executive officer of Charter Holdings or any of its Restricted Subsidiaries or has at least one executive officer that is not a director or executive officer of Charter Holdings or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of Charter Holdings as an Unrestricted Subsidiary shall be evidenced to the trustee by filing with the trustee a certified copy of the board resolution of Charter Holdings giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "-- Certain Covenants -- Investments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the indentures and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of Charter Holdings as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," Charter Holdings shall be in default of such covenant. The board of directors of Charter Holdings may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of

Charter Holdings of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if:

(1) such Indebtedness is permitted under the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and

(2) no Default or Event of Default would be in existence following such designation.

"VOTING STOCK" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"WHOLLY OWNED RESTRICTED SUBSIDIARY" of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person and/or by one or more Wholly Owned Restricted Subsidiaries of such Person.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

## GENERAL

The following sets forth the opinion of Paul, Hastings, Janofsky & Walker LLP, our legal counsel, as to the material United States federal income tax consequences of

(1) the exchange offer relevant to U.S. holders; and

(2) the ownership and disposition of the new notes relevant to U.S. holders and, in certain circumstances, non-U.S. holders.

Except where noted, the summary deals only with notes held as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and does not deal with special situations, such as those of broker-dealers, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, financial institutions, insurance companies, or persons holding notes as part of a hedging or conversion transaction or a straddle, or a constructive sale. Furthermore, the discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, except as otherwise indicated, the following does not consider the effect of any applicable foreign, state, local or other tax laws or gift tax considerations.

We have not sought, and will not seek, any rulings from the IRS with respect to the positions discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the exchange offer and ownership or disposition of the original notes or new notes, or that any such position would not be sustained.

As used herein, a "U.S. person" is

(1) a citizen or resident of the United States,

(2) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof,

(3) an estate the income of which is subject to U.S. federal income taxation regardless of its source,

(4) a trust if

(A) a U.S. court is able to exercise primary supervision over the administration of the trust and

(B) one or more U.S. persons have the authority to control all substantial decisions of the trust,

(5) a certain type of trust in existence on August 20, 1996, which was treated as a U.S. person under the Code in effect immediately prior to such date and which has made a valid election to be treated as a U.S. person under the Code, and

(6) any person otherwise subject to U.S. federal income tax on a net income basis in respect of its worldwide taxable income.

A "U.S. Holder" is a beneficial owner of a note who is a U.S. person. A "Non-U.S. Holder" is a beneficial owner of a note that is not a U.S. Holder.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE APPLICATION OF THE TAX CONSIDERATIONS DISCUSSED BELOW TO THEIR PARTICULAR SITUATIONS, AS WELL AS THE APPLICATION OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS, OR SUBSEQUENT REVISIONS THEREOF.

## THE EXCHANGE OFFER

Pursuant to the exchange offer, holders are entitled to exchange the original notes for new notes that will be substantially identical in all material respects to the original notes, except that the new notes will be registered with the Securities and Exchange Commission and therefore will not be subject to transfer restrictions. The exchange pursuant to the exchange offer as described above will not result in a taxable event. Accordingly,

(1) no gain or loss will be realized by a U.S. Holder upon receipt of a new note,

(2) the holding period of the new note will include the holding period of the original note exchanged therefor, and

(3) the adjusted tax basis of the new note will be the same as the adjusted tax basis of the original note exchanged at the time of such exchange.

## UNITED STATES FEDERAL INCOME TAXATION OF U.S. HOLDERS

## PAYMENTS OF INTEREST ON THE EIGHT-YEAR SENIOR NOTES AND TEN-YEAR SENIOR NOTES

Interest on the eight-year senior notes and ten-year senior notes will be taxable to a U.S. Holder as ordinary income from domestic sources at the time it is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes.

## ORIGINAL ISSUE DISCOUNT ON THE SENIOR DISCOUNT NOTES

The senior discount notes will be issued with original issue discount. Such notes will be issued with original issue discount because they will be issued at an issue price which is substantially less than their stated principal amount at maturity, and because interest on the senior discount notes will not be payable until November 15, 2006. Each U.S. Holder will be required to include in income in each year, in advance of receipt of cash payments on such senior discount notes to which such income is attributable, original issue discount income as described below.

The amount of original issue discount with respect to the senior discount notes will be equal to the excess of the senior discount note's "stated redemption price at maturity" over its "issue price." The issue price of the senior discount notes will be equal to the price to the public at which a substantial amount of the senior discount notes is initially sold for money, excluding any sales to a bond house, broker or similar person or organization acting in the capacity of an underwriter, placement agent or wholesaler. The stated redemption price at maturity of a senior discount note is the total of all payments provided by the senior discount note, including stated interest payments.

A U.S. Holder of a senior discount note is required to include in gross income for U.S. federal income tax purposes an amount equal to the sum of the "daily portions" of such original issue discount for all days during the taxable year on which the holder holds the senior discount note. The daily portions of original issue discount required to be included in such holder's gross income in a taxable year will be determined on a constant yield basis. A pro rata portion of the original issue discount on such senior discount note which is attributable to the "accrual period" in which such day is included will be allocated to each day during the taxable year in which the holder holds the senior discount notes. Accrual periods with respect to a senior discount note may be of any length and may vary in length over the term of the senior discount note as long as

(1) no accrual period is longer than one year, and

(2) each scheduled payment of interest or principal on the senior discount note occurs on either the first or final day of an accrual period.



The amount of original issue discount attributable to each accrual period will be equal to the product of

- (1) the "adjusted issue price" at the beginning of such accrual period and
- (2) the "yield to maturity" of the instrument stated in a manner appropriately taking into account the length of the accrual period.

The yield to maturity is the discount rate that, when used in computing the present value of all payments to be made under the senior discount notes, produces an amount equal to the issue price of the senior discount notes. The adjusted issue price of a senior discount note at the beginning of an accrual period is generally defined as the issue price of the senior discount note plus the aggregate amount of original issue discount that accrued in all prior accrual periods, less any cash payments made on the senior discount note. Accordingly, a U.S. Holder of a senior discount note will be required to include original issue discount thereon in gross income for U.S. federal tax purposes in advance of the receipt of cash attributable to such income. The amount of original issue discount allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length. The amount of original issue discount allocable to the final accrual period at maturity of a senior discount note is the difference between

- (1) the amount payable at the maturity of the senior discount note and
- (2) the senior discount note's adjusted issue price as of the beginning of the final accrual period.

Payments on the senior discount notes, including principal and stated interest payments, are not separately included in a U.S. Holder's income, but rather are treated first as payments of accrued original issue discount to the extent of such accrued original issue discount and the excess as payments of principal, which reduce the U.S. Holder's adjusted tax basis in such senior discount notes.

#### EFFECT OF OPTIONAL REDEMPTION ON ORIGINAL ISSUE DISCOUNT

In the event of a Change of Control, we will be required to offer to redeem all of the notes, at redemption prices specified elsewhere herein. In the event that we receive net proceeds from one or more Equity Offerings, we may, at our option, use all or a portion of such net proceeds to redeem in the aggregate up to 35% of the aggregate principal amount at maturity of the senior notes and up to 35% of the aggregate principal amount at maturity of the senior discount notes at redemption prices specified elsewhere herein, provided that at least 65% of the aggregate principal amount at maturity of the senior notes and the senior discount notes, respectively, remains outstanding after each such redemption. Computation of the yield and maturity of the notes is not affected by such redemption rights and obligations if, based on all the facts and circumstances as of the issue date, the stated payment schedule of the notes, which does not reflect the Change of Control event or Equity Offering event, is significantly more likely than not to occur. We have determined that, based on all of the facts and circumstances as of the issue date, it is significantly more likely than not that the notes will be paid according to their stated schedule.

We may redeem the ten-year senior notes and the senior discount notes, in whole or in part, at any time on or after May 15, 2006, at redemption prices specified elsewhere herein plus accrued and unpaid stated interest, if any, on the notes so redeemed but excluding the date of redemption. The United States Treasury Regulations contain rules for determining the "maturity date" and the stated redemption price at maturity of an instrument that may be redeemed prior to its stated maturity date at the option of the issuer. Under United States Treasury Regulations, solely for the purposes of the accrual of original issue discount, it is assumed that an issuer will exercise any option to redeem a

debt instrument if such exercise would lower the yield to maturity of the debt instrument. We believe that we will not be presumed to redeem the notes prior to their stated maturity under these rules because the exercise of such options would not lower the yield to maturity of the notes.

U.S. Holders may wish to consult their own tax advisors regarding the treatment of such contingencies.

#### APPLICABLE HIGH YIELD DISCOUNT OBLIGATIONS

Because the senior discount notes constitute "applicable high yield discount obligations" referred to as "AHYDOs", the portion of each senior discount note that is allocable to beneficial owners of Charter Holdings that are C corporations, such as Charter Communications, Inc., will be treated as an AHYDO for U.S. federal income tax purposes. The senior discount notes constitute AHYDOs because they have a yield to maturity that is at least five percentage points above the applicable federal rate at the time of issuance of the senior discount notes and the senior discount notes are issued with "significant original issue discount." A senior discount note is treated as having significant original issue discount if the aggregate amount that will be includable in gross income with respect to such senior discount note for periods before the close of any accrual period ending after the date that is five years after the date of issue exceeds the sum of (1) the aggregate amount of interest to be paid in cash under the senior discount note before the close of such accrual period and (2) the product of the initial issue price of such senior discount note and its yield to maturity.

Because the senior discount notes constitute AHYDOs, to the extent that the senior discount notes are allocable to beneficial owners of Charter Holdings that are C corporations, such as Charter Communications, Inc.,

(1) the "disqualified portion" of the original issue discount that accrues on the senior discount notes allocable to beneficial owners of Charter Holdings that are C corporations, such as Charter Communications, Inc., may be treated as a dividend generally eligible for the dividends received deduction in the case of corporate U.S. Holders,

(2) beneficial owners of Charter Holdings that are C corporations, such as Charter Communications, Inc., will not be entitled to deduct their distributive share of the disqualified portion of original issue discount that accrues on the senior discount notes, and

(3) beneficial owners of Charter Holdings that are C corporations, such as Charter Communications, Inc., will be allowed to deduct the remainder of their distributive share of original issue discount only when Charter Holdings pays amounts attributable to such original issue discount in cash.

The disqualified portion of original issue discount is equal to the lesser of the amount of original issue discount or the portion of the "total return" with respect to the senior discount notes in excess of the applicable federal rate plus six percentage points. The total return is the excess of all payments to be made with respect to a senior discount note over its issue price.

#### SALE, EXCHANGE OR RETIREMENT OF THE NOTES

Upon the sale, exchange, retirement or other taxable disposition of a note, the holder will generally recognize gain or loss in an amount equal to the difference between

(1) the amount of cash and the fair market value of other property received in exchange therefor and

(2) the holder's adjusted tax basis in such note.

Amounts attributable to accrued but unpaid interest on the senior notes will be treated as ordinary interest income. A holder's adjusted tax basis in a note will equal the purchase price paid by such holder for the note increased by the amount of any market discount that the holder elected to include in income, and, in the case of a senior discount note, by any original issue discount previously included in income by such holder with respect to such note and decreased by the amount of any amortizable bond premium applied to reduce interest on the notes and, in the case of a senior discount note, by any payments received thereon.

Gain or loss realized on the sale, exchange, retirement or other taxable disposition of a note will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement, or other taxable disposition, the note has been held by the holder for more than 12 months. The maximum rate of tax on long-term capital gains with respect to notes held by an individual is 20%. The deductibility of capital losses is subject to certain limitations.

#### MARKET DISCOUNT

A holder receives a "market discount" when he/she

(1) purchases a senior note for an amount below the issue price, or

(2) purchases a senior discount note for an amount below the adjusted issue price on the date of purchase (as determined in accordance with the original issue discount rules above.)

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a note as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such note at the time of such payment or disposition. In addition, the U.S. Holder may be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the deduction of a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such notes.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the note, unless the U.S. Holder elects to accrue such discount on a constant interest rate method. A U.S. Holder may elect to include market discount in income currently as it accrues, on either a ratable or constant interest rate method. If this election is made, the holder's basis in the note will be increased to reflect the amount of income recognized and the rules described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

#### AMORTIZABLE BOND PREMIUM; ACQUISITION PREMIUM

A U.S. Holder that

(1) purchases a senior note for an amount in excess of the amount payable on maturity, or

(2) purchases a senior discount note for an amount in excess of the stated redemption price at maturity will be considered to have purchased such note with "amortizable bond premium."

A U.S. Holder generally may elect to amortize the premium over the remaining term of the note on a constant yield method. However, because the notes could be redeemed for an amount in excess of their principal amount, the amortization of bond premium could be deferred until later in the term of the note. The amount amortized in any year will be treated as a reduction of the U.S. Holder's interest income, including original issue discount income, from the note. Bond premium on a note held by a U.S. Holder that does not elect annual amortization will decrease the gain or increase the

loss otherwise recognized upon disposition of the note. The election to amortize premium on a constant yield method, once made, applies to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

A U.S. Holder that purchases a senior discount note for an amount that is greater than the adjusted issue price of the senior discount note on the date of purchase, as determined in accordance with the original issue discount rules, above will be considered to have purchased such senior discount note at an "acquisition premium." A holder of a senior discount note that is purchased at an acquisition premium may reduce the amount of the original issue discount otherwise includible in income with respect to the senior discount note by the "acquisition premium fraction." The acquisition premium fraction is that fraction the numerator of which is the excess of the holder's adjusted tax basis in the senior discount note immediately after its acquisition over the adjusted issue price of the senior discount note and the denominator of which is the excess of the sum of all amounts payable on the senior discount note after the purchase date over the adjusted issue price of the senior discount note. Alternatively, a holder of a senior discount note that is purchased at an acquisition premium may elect to compute the original issue discount accrual on the senior discount note by treating the purchase as a purchase of the senior discount note at original issuance, treating the purchase price as the issue price, and applying the original issue discount rules thereto using a constant yield method.

#### UNITED STATES FEDERAL INCOME TAXATION OF NON-U.S. HOLDERS

Assuming, based on the description of the DTC's book-entry procedures discussed in the section entitled "Description of Notes -- Book-Entry, Delivery and Form," that upon issuance and throughout their term, the notes will be in registered form within the meaning of the Code and applicable regulations, the payment to a Non-U.S. Holder of interest on a note generally will not be subject to U.S. federal income or withholding tax pursuant to the "portfolio interest exception," provided that

(1) the Non-U.S. Holder (A) does not actually or constructively own 10% or more of the capital or profits interest in the issuers and (B) is neither a controlled foreign corporation that is related to the issuers within the meaning of the Code, nor a bank that received notes on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

(2) either (A) the beneficial owner of the notes certifies to the issuers or their agent, under penalties of perjury, that it is not a U.S. Holder and provides its name and address on Internal Revenue Service Form W-8BEN (or a suitable substitute form) or (B) a securities clearing organization, bank or other financial institution that holds the notes on behalf of such Non-U.S. Holder in the ordinary course of its trade or business (a "financial institution") certifies under penalties of perjury that such a Form W-8BEN or W-8IMY or suitable substitute form has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof. In the case of notes held by a foreign partnership, the certificate described above must be provided by the partners rather than by the foreign partnership, and the partnership is required to provide certain information, including a U.S. tax identification number.

If a Non-U.S. Holder cannot satisfy the requirements of the portfolio interest exception described above, payments of interest, including the amount of any payment that is attributable to original issue discount that accrued while such Non-U.S. Holder held the note, made to such

Non-U.S. Holder will be subject to a 30% withholding tax, unless the beneficial owner of the note provides us or our paying agent, as the case may be, with a properly executed

(1) Internal Revenue Service Form W-8BEN (or suitable substitute form) claiming an exemption from or reduction in the rate of withholding under an income tax treaty or

(2) Internal Revenue Service Form W-8ECI (or suitable substitute form) providing a United States identification number and stating that interest paid on the note is effectively connected with the beneficial owner's conduct of a trade or business in the United States.

In addition, the Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number and make certain certifications to us.

If a Non-U.S. Holder of a note is engaged in a trade or business in the United States and has filed Form W-8ECI (or suitable substitute form), interest, including original issue discount, on the note that is effectively connected with the conduct of such trade or business and, where a tax treaty applies, is attributable to a United States permanent establishment, will be taxed on a net basis at applicable graduated individual or corporate rates. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits, subject to adjustment, for that taxable year unless it qualifies for a lower rate under an applicable income tax treaty.

Any capital gain realized on the sale, redemption, retirement or other taxable disposition of a note by a person other than a U.S. Holder generally will not be subject to U.S. federal income tax provided that

(1) such gain is not effectively connected with the conduct by such holder of a trade or business in the United States and, if required by an applicable income tax treaty as a condition for subjecting the Non-U.S. Holder to U.S. taxation on a net income basis, such gain is not attributable to a permanent establishment maintained in the United States by the Non-U.S. Holder;

(2) in the case of gains derived by an individual, such individual is not present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met;

(3) the Non-U.S. Holder is not subject to tax pursuant to the provisions of U.S. federal income tax law applicable to certain expatriates; and

(4) we are not and have not been a "U.S. real property holding corporation" for U.S. federal income tax purposes, which we believe has been and will continue to be the case.

#### FEDERAL ESTATE TAX

Subject to applicable estate tax treaty provisions, notes held by an individual who is not a citizen or resident of the United States for federal estate tax purposes at the time of his or her death generally will not be subject to U.S. federal estate tax if the interest on the notes qualifies for the portfolio interest exemption from U.S. federal income tax under the rules described above and payments with respect to such notes would not have been effectively connected with the conduct of a trade or business in the U.S. by a non-resident decedent. The United States federal estate tax generally has been repealed for decedents dying in 2010. Unless extended by new legislation, however, the repeal expires and the estate tax is reinstated beginning January 1, 2011.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING

Backup withholding and information reporting requirements may apply to certain payments of principal, premium, if any, and interest, and accruals of original issue discount, on a note, and to the

proceeds of the sale or redemption of a note. We, our agent, a broker, the Trustee or the paying agent, as the case may be, will be required to withhold from any payment that is subject to backup withholding a tax if a U.S. Holder fails to (i) furnish his taxpayer identification number, (ii) certify that such number is correct, (iii) certify that such holder is not subject to backup withholding or (iv) otherwise comply with the applicable backup withholding rules. Certain U.S. Holders, including all corporations, are not subject to backup withholding and information reporting.

Pursuant to recent tax legislation, the rate of backup withholding tax will be 30.5% for payments made after August 6, 2001 and will be reduced to: 30% on January 1, 2002, 29% on January 1, 2004 and 28% on January 1, 2006.

Non-U.S. Holders other than corporations may be subject to backup withholding and additional information reporting requirements. However, backup withholding and additional information reporting requirements do not apply to payments of portfolio interest, including original issue discount, made by the issuers or a paying agent to Non-U.S. Holders if the certification described under "-- United States Federal Income Taxation of Non-U.S. Holders" is received, provided that the payor does not have actual knowledge that the holder is a U.S. Holder.

The payments of proceeds from the disposition of a note effected by or through the foreign office of a foreign custodian, foreign nominee or other foreign agent of such beneficial owner, or if the foreign office of a foreign "broker", as defined in the applicable Treasury Regulations, pays the proceeds from the disposition of note or a coupon to the seller thereof, backup withholding and additional information reporting requirements generally will not apply. Information reporting requirements, but not backup withholding, will apply, however, to a payment by a foreign office of a broker that is a U.S. person, a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, a "controlled foreign corporation", that is, a foreign corporation controlled by certain U.S. shareholders, with respect to the United States, or, a foreign partnership that at any time during its tax year either is engaged in the conduct of a trade or business in the United States or has as partners one or more United States persons that, in aggregate, hold more than 50% of the income or capital interest in the partnership, unless such broker has documentary evidence in its records that the holder is a Non-U.S. Holder and certain other conditions are met or the holder otherwise establishes an exemption. Payment of proceeds from the disposition of a note by a U.S. office of a broker generally is subject to both backup withholding and additional information reporting unless the Non-U.S. Holder provides the payor with such Non-U.S. Holder's name and address and either certifies under penalties of perjury that it is a Non-U.S. Holder or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder of the notes will be allowed as a refund or a credit against such holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

We must report annually to the IRS and to each Non-U.S. Holder the amount of interest paid and any tax withheld with respect to the interest, regardless of whether withholding was required. Copies of these information returns may also be made available under the provisions of an income tax treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

## PLAN OF DISTRIBUTION

A broker-dealer that is the holder of original notes that were acquired for the account of such broker-dealer as a result of market-making or other trading activities, other than original notes acquired directly from us or any of our affiliates may exchange such original notes for new notes pursuant to the exchange offer. This is true so long as each broker-dealer that receives new notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making or other trading activities acknowledges that it will deliver a prospectus in connection with any resale of such new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for original notes where such original notes were acquired as a result of market-making activities or other trading activities. We have agreed that for a period of 180 days after consummation of the exchange offer or such time as any broker-dealer no longer owns any registrable securities, we will make this prospectus, as it may be amended or supplemented from time to time, available to any broker-dealer for use in connection with any such resale. All dealers effecting transactions in the new notes will be required to deliver a prospectus.

We will not receive any proceeds from any sale of new notes by broker-dealers or any other holder of new notes. New notes received by broker-dealers for their own account in the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such new notes. Any broker-dealer that resells new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of new notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after consummation of the exchange offer or until such time as any broker-dealer no longer owns any registrable securities, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer and to our performance of, or compliance with, the registration rights agreements (other than commissions or concessions of any brokers or dealers) and will indemnify the holders of the notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

## LEGAL MATTERS

The legality of the notes offered in this prospectus and other matters will be passed upon for us by Paul, Hastings, Janofsky & Walker LLP, New York, New York.

## EXPERTS

The consolidated financial statements of Charter Communications Holdings, LLC and subsidiaries, the financial statements of CCA Group, CharterComm Holdings, L.P. and subsidiaries, Marcus Cable Holdings, LLC and subsidiaries, Greater Media Cablevision Systems, Helicon

Partners I, L.P., and affiliates, Sonic Communications Cable Television Systems, and CC V Holdings, LLC and subsidiaries, all included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, to the extent and for the periods indicated in their reports. In the report for Charter Communications Holdings, LLC and subsidiaries related to the financial statements for the year ended December 31, 1999, that firm states that with respect to certain subsidiaries its opinion is based on the reports of other independent public accountants, namely Ernst & Young LLP. The financial statements referred to above have been included herein in reliance upon the authority of those firms as experts in giving said reports.

The combined financial statements of Helicon Partners I, L.P. and affiliates as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998, the combined financial statements of TCI Falcon Systems as of September 30, 1998 and December 31, 1997 and for the nine-month period ended September 30, 1998, and for each of the years in the two-year period ended December 31, 1997, the consolidated financial statements of Marcus Cable Holdings, LLC and subsidiaries as of December 31, 1998 and 1997, and for each of the years in the three-year period ended December 31, 1998, and the consolidated financial statements of Bresnan Communications Group LLC as of December 31, 1998 and 1999 and February 14, 2000, and for each of the years in the three-year period ended December 31, 1999, and the period from January 1, 2000 to February 14, 2000, have been included herein in reliance upon the reports of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Renaissance Media Group LLC and the combined financial statements of the Picayune, MS, LaFourche, LA, St. Tammany, LA, St. Landry, LA, Pointe Coupee, LA, and Jackson, TN cable systems, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of InterMedia Cable Systems as of September 30, 1999 and December 31, 1998 and for the nine months ended September 30, 1999 and each of the two years in the period ended December 31, 1998 included in this Prospectus, have been included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Rifkin Acquisition Partners, L.L.L.P. and Rifkin Cable Income Partners LP for the year ended December 31, 1998 and Rifkin Acquisition Partners, L.L.L.P., Rifkin Cable Income Partners LP, Indiana Cable Associates, Ltd and R/N South Florida Cable Management Limited Partnership for the period ended September 13, 1999 included in this registration statement, have been audited by PricewaterhouseCoopers LLP, independent accountants. The entities and periods covered by these audits are indicated in their reports. The financial statements have been so included in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Avalon Cable of Michigan Holdings, Inc. and subsidiaries, the consolidated financial statements of Cable Michigan, Inc. and subsidiaries, the consolidated financial statements of Avalon Cable LLC and subsidiaries, the financial statements of Amrac Clear View, a Limited Partnership, the combined financial statements of The Combined Operations of Pegasus Cable Television of Connecticut, Inc. and the Massachusetts Operations of Pegasus Cable Television, Inc., included in this registration statement, have been audited by PricewaterhouseCoopers LLP, independent accountants. The entities and periods covered by these audits are indicated in their reports. The financial statements have been so included in reliance on the



reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of R/N South Florida Cable Management Limited Partnership and Indiana Cable Associates, Ltd. and the combined financial statements of Fanch Cable Systems Sold to Charter Communications, Inc. (comprised of Components of TWfanch-one Co., Components of TWfanch-two Co., Mark Twain Cablevision, North Texas Cablevision LTD., Post Cablevision of Texas L.P., Spring Green Communications L.P., Fanch Narragansett CSI L.P., Cable Systems Inc., ARH, and Tioga) appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of Charter Communications VI Operating Company LLC not separately presented in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The financial statements of Amrac Clear View, a Limited Partnership as of December 31, 1996 and 1997 and for each of the three years in the period ended December 31, 1997, included in this registration statement, have been so included in reliance on the report of Greenfield, Altman, Brown, Berger, & Katz, P.C., independent accountants, given on the authority of said firm as experts in auditing and accounting.

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Falcon Communications, L.P. at December 31, 1998 and November 12, 1999 and for each of the two years in the period ended December 31, 1998 and for the period from January 1, 1999 to November 12, 1999 (date of disposition), as set forth in their report. We've included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

Ernst & Young LLP, independent auditors, have audited the combined financial statements of CC VII-Falcon Systems at December 31, 1999, and for the period from November 13, 1999 (commencement date) to December 31, 1999, not separately presented herein, as set forth in their report. We've included their report in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

The financial statements of Cable Systems, Inc. and Fanch Narragan Settlement CSI Limited Partnership, the consolidated financial statements of North Texas Cablevision, Ltd. and the financial statements of Spring Green Communications, L.P., appearing in this prospectus, have been audited by Shields & Co., independent auditors, as set forth in their reports thereon and appearing elsewhere herein, and are included in reliance on the authority of such firm as experts in accounting and auditing.

## INDEX TO FINANCIAL STATEMENTS

PAGE -----	CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES: Report of Independent Public Accountants.....	F-8
	Report of Independent Auditors.....	F-9
	Report of Independent Auditors.....	F-10
	Consolidated Balance Sheets as of December 31, 1999 and 1998.....	F-11
	Consolidated Statements of Operations for the Year ended December 31, 1999, and for the Period from December 24, 1998, through December 31, 1998.....	F-12
	Consolidated Statements of Changes in Member's Equity for the Year ended December 31, 1999, and for the Period from December 24, 1998, through December 31, 1998.....	F-13
	Consolidated Statements of Cash Flows for the Year ended December 31, 1999, and for the Period from December 24, 1998, through December 31, 1998.....	F-14
	Notes to Consolidated Financial Statements.....	F-15
	CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES: Report of Independent Public Accountants.....	F-36
	Consolidated Statements of Operations for the Period from January 1, 1998, through December 23, 1998 and for the Year ended December 31, 1997.....	F-37
	Consolidated Statements of Changes in Shareholder's Investment for the Period from January 1, 1998, through December 23, 1998 and for the Year ended December 31, 1997.....	F-38
	Consolidated Statements of Cash Flows for the Period from January 1, 1998, through December 23, 1998 and for the Year ended December 31, 1997.....	F-39
	Notes to Consolidated Financial Statements.....	F-40
	CCA GROUP: Report of Independent Public Accountants.....	F-46
	Combined Balance Sheet as of December 31, 1997.....	F-47
	Combined Statements of Operations for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-48
	Combined Statements of Shareholders' Deficit for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-49
	Combined Statements of Cash Flows for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-50
	Notes to Combined Financial Statements.....	F-51
	CHARTERCOMM HOLDINGS, L.P. AND SUBSIDIARIES: Report of Independent Public Accountants.....	F-64
	Consolidated Balance Sheet as of December 31, 1997.....	F-65
	Consolidated Statements of Operations for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-66
	Consolidated Statements of Partners' Capital for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-67
	Consolidated Statements of Cash Flows for the Period from January 1, 1998, through December 23, 1998 and for the Years Ended December 31, 1997 and 1996.....	F-68
	Notes to Consolidated Financial Statements.....	F-69

PAGE -----	MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES: Report of Independent Public Accountants.....	F-81 Consolidated Statement of Operations for the Three Months Ended March 31, 1999.....	F-82
	Consolidated Statement of Members' Deficit for the Three Months Ended March 31, 1999.....	F-83 Consolidated Statement of Cash Flows for the Three Months Ended March 31, 1999.....	F-84
	Notes to Consolidated Financial Statements.....	F-85 Independent Auditors' Report.....	F-90 Consolidated Balance Sheets as of December 31, 1998 and 1997.....
	F-91 Consolidated Statements of Operations for Each of the Years in the Three-Year Period Ended December 31, 1998.....	F-92 Consolidated Statements of Members' Equity/Partners' Capital for Each of the Years in the Three-Year Period Ended December 31, 1998.....	F-93 Consolidated Statements of Cash Flows for Each of the Years in the Three-Year Period Ended December 31, 1998.....
	F-94 Notes to Consolidated Financial Statements.....	F-95 RENAISSANCE MEDIA GROUP LLC: Report of Independent Auditors.....	F-106 Consolidated Balance Sheet as of April 30, 1999.....
	F-107 Consolidated Statement of Operations for the Four Months Ended April 30, 1999.....	F-108 Consolidated Statement of Changes in Members' Equity for the Four Months Ended April 30, 1999.....	F-109 Consolidated Statement of Cash Flows for the Four Months Ended April 30, 1999.....
	F-110 Notes to Consolidated Financial Statements.....	F-111 Report of Independent Auditors.....	F-119 Consolidated Balance Sheet as of December 31, 1998.....
	F-120 Consolidated Statement of Operations for the Year Ended December 31, 1998.....	F-121 Consolidated Statement of Changes in Members' Equity for the Year Ended December 31, 1998.....	F-122 Consolidated Statement of Cash Flows for the Year Ended December 31, 1998.....
	F-123 Notes to Consolidated Financial Statements for the Year Ended December 31, 1998.....	F-124 PICAYUNE, MS, LAFOURCHE, LA, ST. TAMMANY, LA, ST. LANDRY, LA, POINTE COUPEE, LA AND JACKSON, TN CABLE TELEVISION SYSTEMS: Report of Independent Auditors.....	F-133 Combined Balance Sheet as of April 8, 1998.....
	F-134 Combined Statement of Operations for the Period from January 1, 1998 through April 8, 1998.....	F-135 Combined Statement of Changes in Net Assets for the Period from January 1, 1998 through April 8, 1998.....	F-136 Combined Statement of Cash Flows for the Period from January 1, 1998 through April 8, 1998.....
	F-137 Notes to Combined Financial Statements.....	F-138 Report of Independent Auditors.....	F-144 Combined Balance Sheets as of December 31, 1996 and 1997.....
	F-145 Combined Statements of Operations for the Years Ended December 31, 1995, 1996 and 1997.....	F-146 Combined Statements of Changes in Net Assets for the Years Ended December 31, 1996 and 1997.....	F-147 Combined Statements of Cash Flows for the Years Ended December 31, 1995, 1996 and 1997.....
	F-148 Notes to Combined Financial Statements.....	F-149	



PAGE ----- GREATER MEDIA CABLEVISION SYSTEMS: Report of Independent Public Accountants.....	F-156
156 Combined Statement of Income for the Nine Months Ended June 30,	
1999.....	F-157
Combined Statement of Changes in Net Assets for the Nine Months Ended June 30,	
1999.....	F-158
Combined Statement of Cash Flows for the Nine Months Ended June 30, 1999.....	F-159
Notes to Combined Financial Statements.....	F-160
Report of Independent Public Accountants.....	F-164
Combined Balance Sheets as of September 30, 1998 and 1997.....	F-165
Combined Statements of Income for the Years Ended September 30, 1996, 1997 and 1998.....	F-166
Combined Statements of Changes in Net Assets for the Years Ended September 30, 1996, 1997 and 1998.....	F-167
Combined Statements of Cash Flows for the Years Ended September 30, 1996, 1997 and 1998.....	F-168
Notes to Combined Financial Statements.....	F-169
HELICON PARTNERS I, L.P. AND AFFILIATES: Report of Independent Public Accountants.....	F-175
Combined Statement of Operations for the Seven Months Ended July 30, 1999.....	F-176
Combined Statement of Changes in Partners' Deficit for the Seven Months Ended July 30, 1999.....	F-177
Combined Statement of Cash Flows for the Seven Months Ended July 30, 1999.....	F-178
Notes to Combined Financial Statements.....	F-179
Independent Auditors' Report.....	F-184
Combined Balance Sheets as of December 31, 1997 and 1998.....	F-185
Combined Statements of Operations for Each of the Years in the Three-Year Period Ended December 31, 1998.....	F-186
Combined Statements of Changes in Partners' Deficit for Each of the Years in the Three-Year Period Ended December 31, 1998.....	F-187
Combined Statements of Cash Flows for Each of the Years in the Three-Year Period Ended December 31, 1998.....	F-188
Notes to Combined Financial Statements.....	F-189
RIFKIN CABLE INCOME PARTNERS L.P.: Report of Independent Accountants.....	F-201
Balance Sheet as of September 13, 1999.....	F-202
Statement of Operations for the period January 1, 1999 to September 13, 1999.....	F-203
Statement of Equity for the period January 1, 1999 to September 13, 1999.....	F-204
Statement of Cash Flows for the period January 1, 1999 to September 13, 1999.....	F-205
Notes to Financial Statements.....	F-206
Report of Independent Accountants.....	F-209
Balance Sheet at December 31, 1997 and 1998.....	F-210
Statement of Operations for Each of the Three Years in the Period Ended December 31, 1998.....	F-211
Statement of Partners' Equity (Deficit) for Each of the Three Years in the Period Ended December 31, 1998.....	F-212
Statement of Cash Flows for Each of the Three Years in the Period Ended December 31, 1998.....	F-213
Notes to Financial Statements.....	F-214

PAGE ----- RIFKIN ACQUISITION PARTNERS, L.L.L.P.:  
Report of Independent

Accountants.....	F-218
Balance Sheet as of September 13, 1999.....	F-219
Consolidated Statement of Operations for the period January 1, 1999 through September 13, 1999.....	F-220
Consolidated Statement of Partners' Capital for the period January 1, 1999 through September 13, 1999.....	F-221
Consolidated Statement of Cash Flows for the period January 1, 1999 through September 13, 1999.....	F-222
Notes to Consolidated Financial Statements.....	F-223
Report of Independent Accountants.....	F-231
Consolidated Balance Sheet at December 31, 1998 and 1997.....	F-232
Consolidated Statement of Operations for Each of the Three Years in the Period Ended December 31, 1998.....	F-233
Consolidated Statement of Cash Flows for Each of the Three Years in the Period Ended December 31, 1998.....	F-234
Consolidated Statement of Partners' Capital (Deficit) for Each of the Three Years in the Period Ended December 31, 1998.....	F-235
Notes to Consolidated Financial Statements.....	F-236
INDIANA CABLE ASSOCIATES, LTD.: Report of Independent Accountants.....	F-249
Balance Sheet as of September 13, 1999.....	F-250
Statement of Operations for the period January 1, 1999 to September 13, 1999.....	F-251
Statement of Equity for the period January 1, 1999 to September 13, 1999.....	F-252
Statement of Cash Flows for the period January 1, 1999 to September 13, 1999.....	F-253
Notes to Financial Statements.....	F-254
Report of Independent Auditors.....	F-258
Balance Sheet as of December 31, 1997 and 1998.....	F-259
Statement of Operations for the Years Ended December 31, 1996, 1997 and 1998.....	F-260
Statement of Partners' Deficit for the Years Ended December 31, 1996, 1997 and 1998.....	F-261
Statement of Cash Flows for the Years Ended December 31, 1996, 1997 and 1998.....	F-262
Notes to Financial Statements.....	F-263
R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP: Report of Independent Accountants.....	F-267
Balance Sheet as of September 13, 1999.....	F-268
Consolidated Statement of Operations for the period January 1, 1999 to September 13, 1999.....	F-269
Consolidated Statement of Equity for the period January 1, 1999 to September 13, 1999.....	F-270
Consolidated Statement of Cash Flows for the period January 1, 1999 to September 13, 1999.....	F-271
Notes to Consolidated Financial Statements.....	F-272
Report of Independent Auditors.....	F-276
Consolidated Balance Sheet as of December 31, 1997 and 1998.....	F-277
Consolidated Statement of Operations for the Years Ended December 31, 1996, 1997 and 1998.....	F-278
Consolidated Statement of Partners' Equity (Deficit) for the Years Ended December 31, 1996, 1997 and 1998.....	F-279
Consolidated Statement of Cash Flows for the Years Ended December 31, 1996, 1997 and 1998.....	F-280
Notes to Consolidated Financial Statements.....	F-281



PAGE ----- INTERMEDIA CABLE SYSTEMS (COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS IV, L.P.): Report of Independent Accountants.....	F-285
Combined Balance Sheets as of September 30, 1999 and December 31, 1998.....	
F-286 Combined Statements of Operations for the Nine Months Ended September 30, 1999 and for the Years ended December 31, 1998 and	
1997.....	F-287
Combined Statements of Changes in Equity for the Nine Months Ended September 30, 1999 and for the Years ended December 31, 1998 and	
1997.....	F-288
Combined Statements of Cash Flows for the Nine Months Ended September 30, 1999 and for the Years ended December 31, 1998 and 1997.....	F-289
Notes to Combined Financial Statements.....	F-290
SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS: Report of Independent Public Accountants.....	F-300
Statement of Operations and Changes in Net Assets for the Period from April 1, 1998, through May 20, 1998.....	F-301
Statement of Cash Flows for the Period from April 1, 1998, through May 20, 1998.....	
F-302 Notes to Financial Statements.....	F-
303 LONG BEACH ACQUISITION CORP.: Report of Independent Public Accountants.....	F-306
Statement of Operations for the Period from April 1, 1997, through May 23, 1997.....	
F-307 Statement of Stockholder's Equity for the Period from April 1, 1997, through May 23, 1997.....	F-308
Statement of Cash Flows for the Period from April 1, 1997, through May 23, 1997.....	
F-309 Notes to Financial Statements.....	F-
310 FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.: Report of Independent Auditors.....	F-314
Report of Independent	
Auditors.....	F-315
Report of Independent	
Auditors.....	F-316
Report of Independent	
Auditors.....	F-317
Combined Balance Sheets as of November 11, 1999 and December 31, 1998.....	
F-318 Combined Statements of Operations for the Period from January 1, 1999 to November 11, 1999 and for the Years Ended December 31, 1998 and	
1997.....	F-319
Combined Statements of Net Assets for the Period from January 1, 1999 to November 11, 1999 and for the Years Ended December 31, 1998 and 1997.....	
F-320 Combined Statements of Cash Flows for the Period from January 1, 1999 to November 11, 1999 and for the Years Ended December 31, 1998 and	
1997.....	F-321
Notes to Combined Financial Statements.....	F-322



FALCON COMMUNICATIONS, L.P.: Report of  
Independent

Auditors..... F-327  
Consolidated Balance Sheets as of December  
31, 1998 and November 12,  
1999.....  
    F-328 Consolidated Statements of  
    Operations for each of the two years in  
    the period ended December 31, 1998 and for  
    the Period from January 1, 1999 to  
    November 12, 1999..... F-329  
    Consolidated Statements of Partners'  
    Equity (Deficit) for the each of the two  
    years in the period ended December 31,  
    1998 and for the Period from January 1,  
    1999 to November 12,  
1999.....  
    F-330 Consolidated Statements of Cash  
    Flows for each of the two years in the  
    period ended December 31, 1998 and for the  
    Period from January 1, 1999 to November  
    12, 1999..... F-331 Notes to  
    Consolidated Financial  
    Statements..... F-332

PAGE -----	TCI FALCON SYSTEMS: Independent Auditors' Report.....	F-351
	Balance Sheets at September 30, 1998 and December 31, 1997.....	F-
	352 Combined Statements of Operations and Parent's Investment for the period from January 1, 1998 through September 30, 1998 and for the years ended December 31, 1997 and	
1996.....		
	F-353 Combined Statements of Cash Flows for the period from January 1, 1998 through September 30, 1998 and for the years ended December 31, 1997 and	
	1996.....	F-354
	Financial Statements for the period from January 1, 1998 through September 30, 1998 and for the years ended December 31, 1997 and 1996.....	F-355
	CC V HOLDINGS, LLC AND SUBSIDIARIES: Report of Independent Public Accountants.....	F-361
	Balance Sheet as of December 31, 1999.....	F-362
	Consolidated Statements of Operations for the Period from November 15, 1999, through December 31, 1999, and for the Period from January 1, 1999, through November	
	14,	
1999.....		
	F-363 Consolidated Statement of Changes in Shareholders' Equity for the Period from January 1, 1999, through November 14,	
1999.....		F-
	364 Consolidated Statements of Cash Flows for the Period from November 15, 1999, through December 31, 1999, and for the Period from January 1, 1999, through	
	November 14,	
1999.....		
	F-365 Notes to Consolidated Financial Statements.....	F-366
	AVALON CABLE LLC AND SUBSIDIARIES: Report of Independent Accountants.....	F-377
	Consolidated Balance Sheet as of December 31, 1998 and	
1997.....		
	F-378 Consolidated Statement of Operations for the year ended December 31, 1998 and for the period from	
	September 4, 1997 (inception) through December 31, 1997.....	F-379
	Consolidated Statement of Changes in Members' Interest from September 4, 1997 (inception) through December 31,	
1998.....		
	F-380 Consolidated Statement of Cash Flows for the year ended December 31, 1998 and for the period from	
	September 4, 1997 (inception) through December 31, 1997.....	F-381
	Notes to Consolidated Financial Statements.....	F-382
	AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES: Report of Independent Accountants.....	F-394
	Consolidated Balance Sheet as of December 31, 1998 and	
1997.....		
	F-395 Consolidated Statements of Operations for the year ended December 31, 1998 and for the period from	
	September 4, 1997 (inception) through December 31, 1997.....	F-396
	Consolidated Statement of Changes in Shareholders' Equity for the period from	
	September 4, 1997 (inception) through December 31, 1998.....	F-397
	Consolidated Statement of Cash Flows for the year ended December 31, 1998 and for the period from	
	September 4, 1997 (inception) through December 31, 1997.....	F-
	398 Notes to Consolidated Financial Statements.....	F-399
	CABLE MICHIGAN, INC. AND SUBSIDIARIES: Report of Independent Accountants.....	F-412
	Consolidated Balance Sheets as of December 31, 1997 and November 5, 1998.....	F-413
	Consolidated Statements of Operations for the years ended December 31, 1996 and 1997 and for the period	
	from January 1, 1998 to November 5,	
1998.....		F-414
	Consolidated Statements of Changes in Shareholders' Deficit for the years ended	
	December 31, 1996 and 1997 and for the period from	
	January 1, 1998 to November 5,	

1998.....  
F-415 Consolidated Statements of Cash Flows for the  
years ended December 31, 1996 and 1997 and for the  
period from January 1, 1998 to November 5,  
1998..... F-416 Notes to Consolidated  
Financial Statements..... F-417

PAGE ----- AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP:  
Report of Independent

Accountants.....	F-430
Sheet as of May 28, 1998.....	F-
431 Statement of Operations for the period from January	
1, 1998 through May 28,	
1998.....	F-432
Statement of	
Changes in Partners' Equity (Deficit) for the period	
from January 1, 1998 through May 28, 1998.....	F-433
Statement of Cash Flows for the period from January 1,	
1998 through May 28,	
1998.....	F-434
Notes to	
Financial Statements.....	F-435
Independent Auditors'	
Report.....	F-439
Balance	
Sheets at December 31, 1996 and 1997.....	F-
440 Statements of Net Earnings for the years ended	
December 31, 1995, 1996 and	
1997.....	F-441
Statements	
of Changes in Partners' Equity (Deficit) for the years	
ended December 31, 1995, 1996 and 1997.....	F-442
Statements of Cash Flows for the years ended December	
31, 1995, 1996 and	
1997.....	F-443
Notes	
to Financial Statements.....	F-
444 PEGASUS CABLE TELEVISION, INC.: Report of	
Independent Accountants.....	F-447
Combined Balance Sheets as of December 31, 1996 and	
1997 and June 30,	
1998.....	F-448
Combined	
Statements of Operations for the years ended	
December 31, 1995, 1996 and 1997 and for the six months	
ended June 30,	
1998.....	F-449
Combined	
Statements of Changes in Stockholder's Deficit	
for the three years ended December 31, 1997 and for the	
six months ended June 30,	
1998.....	F-450
Combined	
Statements of Cash Flows for the years ended December	
31, 1995, 1996 and 1997 and for the six months ended	
June 30, 1998.....	F-
451 Notes to Combined Financial	
Statements.....	F-452
BRESNAN	
COMMUNICATIONS GROUP LLC: Independent Auditors'	
Report.....	F-458
Consolidated	
Balance Sheets as of December 31, 1998 and	
1999.....	F-459
Consolidated	
Statements of Operations and	
Members' Equity (Deficit) for the Years Ended December	
31, 1997, 1998 and	
1999.....	F-
460 Consolidated	
Statements of Cash Flows for the Years	
Ended December 31, 1997, 1998 and	
1999.....	F-461
Notes to	
Consolidated Financial Statements.....	F-462
Independent Auditors'	
Report.....	F-469
Consolidated	
Balance Sheets as of December 31, 1999 and February 14,	
2000.....	F-470
Consolidated	
Statements of Operations and Members'	
Equity (Deficit) for the Year ended December 31, 1999	
and for the Period from January 1, 2000 to February 14,	
2000....	F-471
Consolidated	
Statements of Cash Flows	
for the Year ended December 31, 1999 and for the Period	
from January 1, 2000 to February 14,	
2000.....	F-472
Notes to	
Consolidated Financial Statements.....	F-473
CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES:	
Consolidated Balance Sheets as of September 30, 2000	
and December 31, 1999	
(unaudited).....	F-480
Consolidated	
Statements of Operations for the Three	
Months and Nine Months Ended September 30, 2000 and	
1999	
(unaudited).....	F-481
Consolidated	
Statements of Cash Flows for the	
Nine Months Ended September 30, 2000 and 1999	

(unaudited)..... F-483 Notes to Consolidated  
Financial Statements (unaudited).... F-484

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications Holdings, LLC:

We have audited the accompanying consolidated balance sheets of Charter Communications Holdings, LLC and subsidiaries (collectively, "the Company") as of December 31, 1999 and 1998, and the related consolidated statements of operations, changes in member's equity and cash flows for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998. The consolidated statements give retroactive effect to the transfer of certain cable systems from Charter Communications Holding Company, LLC to the Company on January 1, 2000, which has been accounted for as a reorganization of entities under common control as described in Note 1. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of Charter Communications VI Operating Company, LLC and subsidiaries, and CC VII -- Falcon Systems, included in the consolidated financial statements of the Company, as of December 31, 1999, and for the periods from the dates of acquisition through December 31, 1999, which statements on a combined basis reflect total assets and total revenues of 31 percent and 6 percent, respectively, of the related consolidated totals of the Company. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charter Communications Holdings, LLC and subsidiaries as of December 31, 1999 and 1998, and results of their operations and their cash flows for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, after giving retroactive effect to the transfer of certain cable systems described in Note 1, all in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
March 2, 2000

## REPORT OF INDEPENDENT AUDITORS

Charter Communications VI  
Operating Company, LLC

We have audited the consolidated balance sheet of Charter Communications VI Operating Company, LLC and subsidiaries as of December 31, 1999, and the related consolidated statements of operations, member's equity and cash flows for the period from inception (November 9, 1999) to December 31, 1999 (not presented separately herein). These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Charter Communications VI Operating Company, LLC and subsidiaries at December 31, 1999, and the consolidated results of its operations and its cash flows for the period from November 9, 1999 to December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
February 11, 2000

## REPORT OF INDEPENDENT AUDITORS

Sole Member  
CC VII Holdings, LLC

We have audited the combined balance sheet of the CC VII -- Falcon Systems as of December 31, 1999, and the related combined statements of operations and parent's investment and cash flows for the period from November 13, 1999 (commencement date) to December 31, 1999 (not presented separately herein). These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the CC VII -- Falcon Systems at December 31, 1999 and the results of its operations and its cash flows for the period from November 13, 1999 (commencement date) to December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP  
Los Angeles, California  
March 2, 2000



## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS, EXCEPT UNIT DATA)

DECEMBER 31, -	1999	1998
----- ASSETS CURRENT ASSETS: Cash and cash		
equivalents.....	\$ 114,096	\$ 9,573
Accounts receivable, net of allowance for doubtful accounts of \$11,471 and \$1,728, respectively.....	93,743	15,108
Prepaid expenses and other.....	34,513	2,519
----- Total current	242,352	27,200
----- INVESTMENT IN CABLE PROPERTIES:		
Property, plant and		
equipment.....	3,490,573	716,242
Franchises.....	14,985,793	3,590,054
----- OTHER	4,306,296	18,476,366
----- ASSETS		
	220,759	2,031
	\$18,939,477	
===== LIABILITIES AND		
MEMBER'S EQUITY CURRENT LIABILITIES: Current maturities		
of long-term debt.....	\$ --	\$ 10,450
Accounts payable and accrued		
expenses.....	704,734	127,586
Payables to manager of cable systems -- related parties... 6,713		
----- Total current	4,334	711,447
----- LONG-TERM DEBT, less current		
maturities.....	8,936,455	1,991,756
----- LOANS PAYABLE -- RELATED		
PARTIES.....	1,079,163	--
----- DEFERRED MANAGEMENT FEES -- RELATED		
PARTIES.....	21,623	15,561
----- OTHER LONG-TERM		
LIABILITIES.....	142,836	
MEMBER'S EQUITY Member's		
equity (217,585,246 and 100 units issued and outstanding at December 31, 1999 and 1998, respectively).....	8,045,737	2,147,379
Accumulated other comprehensive		
income.....	2,216	--
----- Total member's	8,047,953	2,147,379
-----		
	\$18,939,477	\$4,335,527
=====		

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(DOLLARS IN THOUSANDS)

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH DECEMBER	
31, DECEMBER 31, 1999	1998
REVENUES.....	-----
\$1,428,090	\$13,713
OPERATING EXPENSES:	
Operating, general and administrative.....	
737,957	7,134
Depreciation and	
amortization.....	745,315
8,318	
Option compensation expense.....	
79,979	845
Corporate expense charges -- related	
parties.....	51,428
473	
1,614,679	16,770
Loss from	
operations.....	(186,589)
(3,057)	
OTHER INCOME (EXPENSE):	
Interest expense.....	
(471,871)	(2,353)
Interest	
income.....	18,821
133	
Other,	
net.....	(245)
(453,295)	(2,220)
Loss before income	
tax expense.....	(639,884)
(5,277)	
INCOME TAX	
EXPENSE.....	(1,030)
Loss before extraordinary	
item.....	(640,914)
(5,277)	
EXTRAORDINARY ITEM -- Loss from early extinguishment of	
debt.....	
(7,794)	
Net	
loss.....	\$
(648,708)	\$(5,277)
=====	=====

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY  
(DOLLARS IN THOUSANDS)

ACCUMULATED OTHER TOTAL MEMBER'S COMPREHENSIVE MEMBER'S EQUITY INCOME EQUITY -----	
----- BALANCE, December 24, 1998.....	\$2,151,811 \$ -
- \$2,151,811 Option compensation expense.....	845 -- 845
Net loss.....	(5,277) -- (5,277)
----- BALANCE, December 31, 1998.....	2,147,379 --
2,147,379 Capital contributions.....	6,477,363 -- 6,477,363
Distributions to Charter Investment and Charter....	(10,276) --
(10,276) Option compensation expense.....	79,979 --
79,979 Net loss.....	(648,708) -- (648,708)
Unrealized gain on marketable securities available for sale.....	-
- 2,216 2,216 -----	
BALANCE, December 31, 1999.....	\$8,045,737
\$2,216 \$8,047,953 =====	=====

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH  
DECEMBER 31, DECEMBER 31, 1999 1998 ----- - - -  
----- CASH FLOWS FROM OPERATING ACTIVITIES: Net  
loss.....  
\$ (648,708) \$ (5,277) Adjustments to reconcile net  
loss to net cash provided by operating activities --  
Depreciation and  
amortization..... 745,315 8,318  
Option compensation  
expense..... 79,979 845  
Noncash interest  
expense..... 98,920 -- Loss  
from early extinguishment of debt.....  
7,794 -- Changes in assets and liabilities, net of  
effects from acquisitions -- Accounts  
receivable.....  
(32,366) (8,753) Prepaid expenses and  
other..... 14,256 (211)  
Accounts payable and accrued  
expenses..... 175,280 10,227 Receivables  
from and payables to manager of cable systems,  
including deferred management fees..... 21,183  
473 Other operating  
activities..... (1,245)  
2,022 ----- Net cash provided by  
operating activities..... 460,408 7,644 -----  
----- CASH FLOWS FROM INVESTING  
ACTIVITIES: Purchases of property, plant and  
equipment..... (741,508) (13,672) Payments  
for acquisitions, net of cash acquired.....  
(7,629,564) -- Loan to Marcus Cable  
Holdings..... (1,680,142) --  
Other investing  
activities..... (22,198) -  
----- Net cash used in investing  
activities..... (10,073,412) (13,672) ----  
----- CASH FLOWS FROM FINANCING  
ACTIVITIES: Borrowings of long-term debt, including  
proceeds from Charter Holdings  
Notes..... 10,114,188  
14,200 Repayments of long-term  
debt..... (5,694,375) --  
Borrowings from related  
parties..... 1,079,163 --  
Payments for debt issuance  
costs..... (113,481) -- Capital  
contributions.....  
4,360,971 -- Distributions to Charter Investment and  
Charter..... (10,276) -- Other financing  
activities..... (18,663) -  
----- Net cash provided by  
financing activities..... 9,717,527 14,200 ---  
----- NET INCREASE IN CASH AND CASH  
EQUIVALENTS..... 104,523 8,172 CASH AND  
CASH EQUIVALENTS, beginning of period.....  
9,573 1,401 ----- CASH AND CASH  
EQUIVALENTS, end of period..... \$  
114,096 \$ 9,573 =====  
INTEREST..... \$  
314,606 \$ 5,538 ===== NONCASH  
TRANSACTIONS: Transfer of operating subsidiaries to  
the Company..... \$ 1,252,370 \$ -- Transfer of  
equity interests to the Company.....  
864,022 --

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

## 1. ORGANIZATION AND BASIS OF PRESENTATION:

## General

Charter Communications Holdings, LLC (Charter Holdings), a Delaware limited liability company, owns and operates cable systems serving approximately 6.1 million (unaudited) customers, including cable systems acquired, in February 2000 (see Note 17). Charter Holdings offers a full range of traditional cable television services and has begun to offer digital cable television services, interactive video programming and high-speed Internet access. Charter Holdings is a subsidiary of Charter Communications Holding Company, LLC (Charter Holdco), which is a subsidiary of Charter Communications, Inc. (Charter). In November 1999, Charter completed an initial public offering of the sale of 195.5 million shares of Class A common stock. Proceeds from the offering were used by Charter to purchase membership units in Charter Holdco, which used the funds received from Charter for the acquisition of additional cable television systems.

## Organization and Basis of Presentation

Charter Holdings was formed in February 1999 as a wholly owned subsidiary of Charter Investment, Inc. (Charter Investment). Charter Investment, through its wholly owned subsidiary, Charter Communications Properties Holdings, LLC (CCPH), commenced operations with the acquisition of a cable system on September 30, 1995.

Effective December 23, 1998, through a series of transactions, Paul G. Allen acquired approximately 94% of Charter Investment for an aggregate purchase price of \$2.2 billion, excluding \$2.0 billion in debt assumed (the "Paul Allen Transaction"). In conjunction with the Paul Allen Transaction, Charter Investment acquired, for fair value from unrelated third parties, all of the interests it did not already own in CharterComm Holdings, LLC (CharterComm Holdings) and CCA Group (comprised of CCA Holdings Corp., CCT Holdings Corp. and Charter Communications Long Beach, Inc.), all cable operating companies, for \$2.0 billion, excluding \$1.8 billion in debt assumed. Charter Investment previously managed and owned minority interests in these companies. These acquisitions were accounted for using the purchase method of accounting, and accordingly, results of operations of CharterComm Holdings and CCA Group are included in the consolidated financial statements from the date of acquisition. In February 1999, Charter Investment transferred all of its cable operating subsidiaries to Charter Communications Operating, LLC (Charter Operating), a wholly owned subsidiary of Charter Holdings. This transfer was accounted for as a reorganization of entities under common control similar to a pooling of interests.

As a result of the change in ownership of CCPH, CharterComm Holdings and CCA Group, Charter Holdings has applied push-down accounting in the preparation of its consolidated financial statements. Accordingly, on December 23, 1998, Charter Holdings increased its member's equity by \$2.2 billion to reflect the amounts paid by Mr. Allen and Charter Investment. The purchase price was allocated to assets acquired and liabilities assumed based on their relative fair values, including amounts assigned to franchises of \$3.6 billion.

On April 23, 1998, Mr. Allen and a company controlled by Mr. Allen, (collectively, the "Mr. Allen Companies") purchased substantially all of the outstanding partnership interests in Marcus Cable Company, L.L.C. (Marcus Cable) for \$1.4 billion, excluding \$1.8 billion in assumed liabilities. The owner of the remaining partnership interest retained voting control of Marcus Cable. In February 1999, Marcus Cable Holdings, LLC (Marcus Holdings) was formed and Mr. Allen's interests in Marcus Cable were transferred to Marcus Holdings on March 15, 1999. On March 31, 1999, Mr. Allen purchased the remaining partnership interests in Marcus Cable, including voting control. On April 7, 1999, Marcus Holdings was merged into Charter Holdings and Marcus Cable was transferred to Charter Holdings. For financial reporting purposes, the merger was accounted for as an acquisition of Marcus Cable effective March 31, 1999, the date Mr. Allen

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

obtained voting control of Marcus Cable. Accordingly, the results of operations of Marcus Cable have been included in the consolidated financial statements from April 1, 1999. The assets and liabilities of Marcus Cable have been recorded in the consolidated financial statements using historical carrying values reflected in the accounts of the Mr. Allen Companies. Total member's equity increased by \$1.3 billion as a result of the Marcus Cable acquisition. Previously, on April 23, 1998, the Mr. Allen Companies recorded the assets acquired and liabilities assumed of Marcus Cable based on their relative fair values.

On January 1, 2000, Charter Holdco and Charter Holdings effected a number of transactions in which cable systems acquired by Charter Holdco in November 1999 were contributed to Charter Holdings (the "Transferred Systems"). As a result of these transactions, Charter Holdings became the indirect parent of the CC VI Holdings, LLC ("Fanch"), CC VII Holdings, LLC ("Falcon") and CC V Holdings, LLC ("Avalon") cable systems. Effective January 1, 2000 the Company accounted for the contribution of the Transferred Systems to Charter Holdings as a reorganization of entities under common control in a manner similar to a pooling of interests. These consolidated financial statements have been restated to present this reorganization. The accounts of the Transferred Systems are included in these consolidated financial statements from the date the Transferred Systems were acquired by Charter Holdco.

The consolidated financial statements of Charter Holdings include the accounts of Charter Operating and CCPH, the accounts of CharterComm Holdings and CCA Group and their subsidiaries since December 23, 1998 (date acquired by Charter Investment), the accounts of Marcus Cable since March 31, 1999, and the accounts of the Transferred Systems since November 12, 1999 (the date acquired by Charter Holdco), and are collectively referred to as the "Company" herein. All subsidiaries are, directly or indirectly, wholly owned by Charter Holdings. All material intercompany transactions and balances have been eliminated.

Pursuant to a membership interests purchase agreement, as amended, Vulcan Cable III Inc. (Vulcan), a company controlled by Mr. Allen, contributed \$500 million in cash in August 1999 to Charter Holdco, contributed an additional \$180.7 million in certain equity interests acquired in connection with Charter Holdings' acquisition of Rifkin Acquisitions Partners, L.L.L.P. and InterLink Communications Partners, LLLP (collectively, "Rifkin") in September 1999, and contributed \$644.3 million in cash in September 1999 to Charter Holdco. All funds and equity interests were contributed by Charter Holdco to Charter Holdings to finance certain acquisitions. In addition, certain Rifkin sellers received \$133.3 million of the purchase price in the form of preferred equity in Charter Holdco. Also, certain Falcon sellers received \$550.0 million of the purchase price in the form of membership units of Charter Holdco.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost that approximates market value.

### Property, Plant and Equipment

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installations. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, while equipment replacement and betterments are capitalized.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

## Franchises

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable systems represent management's estimate of fair value and are generally amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company. Accumulated amortization related to franchises was \$650.5 million and \$5.3 million, as of December 31, 1999 and 1998, respectively. Amortization expense related to franchises for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, was \$520.0 million and \$5.3 million, respectively.

## Deferred Financing Costs

Costs related to borrowings are deferred and amortized to interest expense using the effective interest method over the terms of the related borrowings. As of December 31, 1999, other assets include \$120.7 million of deferred financing costs, net of accumulated amortization of \$10.3 million.

## Impairment of Assets

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted net cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## Revenues

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable system. As of December 31, 1999 and 1998, no installation revenue has been deferred, as direct selling costs have exceeded installation revenue.

Local governmental authorities impose franchise fees on the Company ranging up to a federally mandated maximum of 5.0% of gross revenues. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to local franchise authorities. Franchise fees collected and paid are reported as revenues and expenses.

## Channel Launch Payments

The Company receives upfront payments from certain programmers to launch and promote new cable television channels. A portion of these payments represents reimbursement of advertising costs paid by the Company to promote the new channels. These reimbursements have been immaterial. The remaining portion

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

is being amortized as an offset to programming expense over the respective terms of the program agreements, which range from one to 20 years. For the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, the Company amortized and recorded as a reduction of programming costs \$3.4 million and \$12, respectively. As of December 31, 1999, the unamortized portion of payments received totaled \$13.4 million and is included in other long-term liabilities.

#### Direct Response Advertising

The Company expenses the production costs of advertising as incurred, except for direct response advertising, which is deferred and amortized over its expected period of future benefits. Direct response advertising consists primarily of direct mailings and radio, newspaper and cross-channel television advertisements that include a phone number for use in ordering the Company's products and services. The deferred advertising costs are amortized to advertising expense over the periods during which the future benefits are expected to be received. These periods range from two to four years depending on the type of service the customer subscribes to and represents the period the customer is expected to remain connected to the cable system. As of December 31, 1999, \$700 of deferred advertising costs is included in other assets. Advertising expense was \$30.0 million for the year ended December 31, 1999, including amortization of deferred advertising costs totaling \$87.

#### Investments and Other Comprehensive Income

Investments in equity securities are accounted for in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company owns common stock of WorldGate Communications, Inc. (WorldGate) that is classified as "available for sale" and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive income. Based on quoted market prices, the investment was valued at \$3.2 million as of December 31, 1999 and is included in other assets. Comprehensive loss for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, is \$646.5 million and \$5.3 million, respectively.

#### Interest Rate Hedge Agreements

The Company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain debt agreements. Interest rate swaps, caps and collars are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

The Company's interest rate swap agreements require the Company to pay a fixed rate and receive a floating rate thereby creating fixed rate debt. Interest rate caps and collars are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes.

#### Income Taxes

Certain indirect subsidiaries of Charter Holdings are Corporations and file separate federal and state income tax returns. Results of operations from these subsidiaries are not material to the consolidated results of operations of the Company. Income tax expense for the year ended December 31, 1999, represents taxes assessed by certain state jurisdictions. Deferred income tax assets and liabilities are not material.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## Segments

In 1998, the Company adopted SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. Segments have been identified based upon management responsibility. The individual segments have been aggregated into one segment, cable services.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. ACQUISITIONS:

During 1999, the Company acquired cable systems in eight separate transactions for an aggregate purchase price of \$3.6 billion, net of cash acquired, excluding debt assumed of \$354.0 million and equity issued of \$314.0 million. In connection with the Rifkin acquisition, Charter Holdco issued equity interests totaling \$133.3 million to certain sellers. In addition, Vulcan purchased \$180.7 million of equity interests Rifkin and then contributed the equity interests to Charter Holdings. The purchase prices were allocated to assets acquired and liabilities assumed based on their relative fair values, including amounts assigned to franchises of \$3.9 billion. The allocation of the purchase prices for these acquisitions are based, in part, on preliminary information, which is subject to adjustment upon obtaining complete valuation information. Management believes that finalization of the purchase prices and allocations will not have a material impact on the consolidated financial position or results of operations of the Company.

During 1999, Charter Holdco acquired the cable systems of Fanch, Falcon and Avalon and on January 1, 2000, Charter Holdco transferred its equity these cable systems to Charter Holdings (see Note 1). Charter Holdco acquired these cable systems for an aggregate purchase price \$4.0 billion, net of cash acquired, excluding debt assumed of \$2.2 billion and equity issued by Charter Holdco of \$550 million. The purchase prices were allocated to assets acquired and liabilities assumed based on their relative fair values, including amounts assigned to franchises of \$5.8 billion.

The above acquisitions were accounted for using the purchase method of accounting, and accordingly, results of operations of the acquired assets have been included in the financial statements from the dates of acquisition, including the Transferred Systems.

Unaudited pro forma operating results as though the acquisitions discussed above, including the Paul Allen Transaction, the acquisition of Marcus Holdings, the March 1999 refinancing discussed herein, had occurred on January 1, 1998, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows:

YEAR ENDED DECEMBER 31, -	-----	1999
1998	-----	(UNAUDITED)
Revenues.....		
	\$ 2,624,394	\$ 2,412,252
operations.....		Loss from
	(355,030)	(333,595)
		Net
Loss.....		
	(1,181,635)	(1,165,806)

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 4. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Activity in the allowance for doubtful accounts is summarized as follows:

PERIOD FROM DECEMBER 24, FOR THE YEAR 1998, ENDED THROUGH DECEMBER 31, DECEMBER 31, 1999	
1998 -----	Balance,
	beginning of
period.....	\$ 1,728
	\$1,702 Acquisitions of cable
systems.....	5,860 --
	Charged to
expense.....	
20,872 26 Uncollected balances written off, net	
of recoveries.....	(16,989) --
	-----
	---- Balance, end of
period.....	\$
	11,471 \$1,728 =====

## 5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31:

1999 1998 -----	Cable
	distribution
systems.....	
\$3,523,217 \$661,749 Land, buildings and	
leasehold improvements.....	
108,214 26,670 Vehicles and	
equipment.....	
176,221 30,590 -----	3,807,652
	719,009 Less -- Accumulated
depreciation.....	
(317,079) (2,767) -----	
\$3,490,573 \$716,242 =====	

For the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, depreciation expense was \$225.0 million and \$2.8 million, respectively.

## 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31:

1999 1998 -----	Accounts
payable.....	
\$112,233 \$ 7,439 Liability for pending transfer of	
cable system.....	88,200 --
interest.....	
	99,946 30,809 Capital
expenditures.....	
	66,713 15,560 Programming
costs.....	
72,245 11,856 Accrued general and	
administrative.....	39,648
	6,688 Franchise
fees.....	
46,524 12,534 Accrued income	
taxes.....	4,188
	15,205 Other accrued
liabilities.....	
175,037 27,495 -----	\$704,734
\$127,586 =====	

The liability for pending transfer of cable system represents the fair value of a cable system to be transferred upon obtaining necessary regulatory approvals in connection with the transaction with InterMedia

CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Capital Partners IV L. P., InterMedia Partners and their affiliates. Such approvals were subsequently obtained and the system assets were transferred subsequent to December 31, 1999.

7. LONG-TERM DEBT:

Long-term debt consists of the following at December 31:

1999 1998	-----	-	-----	Charter
Holdings: 14.000%				Senior Secured Discount
Debentures.....	\$ --	\$ 109,152	11.250%	Senior
Notes.....				--
	125,000	8.250%		Senior
Notes.....				
	600,000	--	8.625%	Senior
Notes.....				
	1,500,000	--	9.920%	Senior Discount
Notes.....		1,475,000	--	
				Renaissance: 10.000% Senior Discount
Notes.....		114,413	--	
				Rifkin: 11.125% Senior Subordinated
Notes.....		900	--	Avalon:
				9.375% Senior Subordinated
Notes.....		150,000	--	
				11.875% Senior Discount
Notes.....		196,000	--	
				7.000% Note payable, due
2003.....		500	--	CC VII
				Holdings, LLC (Falcon): 8.375% Senior
Debentures.....				
	375,000	--	9.285%	Senior Discount
Debentures.....		435,250	--	
				Credit Facilities: Credit Agreements (including
				CCPH, CCA Group and CharterComm
Holdings).....			--	
				1,726,500 Charter
Operating.....				
	2,906,000	--		CC Michigan, LLC and CC New England,
				LLC (Avalon)..... 170,000 -- CC VI Operating
				Company, LLC (Fanch).....
				850,000 -- Falcon Cable Communications,
				LLC..... 865,500 -- -----
				-- - ----- 9,638,563 1,960,652 Current
maturities.....				
				-- (10,450) Unamortized net (discount)
premium.....		(702,108)	41,554	
				----- - ----- \$8,936,455 \$1,991,756
				=====

In March 1999, the Company extinguished substantially all existing long-term debt, excluding borrowings of the Company under its credit agreements, and refinanced substantially all existing credit agreements at various subsidiaries with a new credit agreement entered into by Charter Operating (the "Charter Operating Credit Facilities"). The excess of the amount paid over the carrying value, net of deferred financing costs, of the Company's long-term debt of \$7.8 million was recovered as an extraordinary item-loss from early extinguishment of debt in the accompanying consolidated statements of operations.

Charter Holdings Notes

In March 1999, Charter Holdings and Charter Communications Holdings Capital Corporation, a wholly owned subsidiary of Charter Holdings, (collectively, the "Issuers") issued \$600.0 million 8.250% Senior

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Notes due 2007 (the "8.250% Senior Notes") for net proceeds of \$598.4 million, \$1.5 billion 8.625% Senior Notes due 2009 (the "8.625% Senior Notes") for net proceeds of \$1,495.4 million, and \$1,475.0 million 9.920% Senior Discount Notes due 2011 (the "9.920% Senior Discount Notes") for net proceeds of \$905.5 million, (collectively with the 8.250% Senior Notes and the 8.625% Senior Notes, referred to as the "Charter Holdings Notes").

The 8.250% Senior Notes are not redeemable prior to maturity. Interest is payable semi-annually in arrears on April 1 and October 1, beginning October 1, 1999 until maturity.

The 8.625% Senior Notes are redeemable at the option of the Issuers at amounts decreasing from 104.313% to 100% of par value beginning on April 1, 2004, plus accrued and unpaid interest, to the date of redemption. At any time prior to April 1, 2002, the Company may redeem up to 35% of the aggregate principal amount of the 8.625% Senior Notes at a redemption price of 108.625% of the principal amount under certain conditions. Interest is payable semi-annually in arrears on April 1 and October 1, beginning October 1, 1999, until maturity.

The 9.920% Senior Discount Notes are redeemable at the option of the Issuers at amounts decreasing from 104.960% to 100% of accreted value beginning April 1, 2004. At any time prior to April 1, 2002, the Issuers may redeem up to 35% of the aggregate principal amount of the 9.920% Senior Discount Notes at a redemption price of 109.920% of the accreted value under certain conditions. Thereafter, cash interest is payable semi-annually in arrears on April 1 and October 1 beginning April 1, 2004, until maturity. The discount on the 9.920% Senior Discount Notes is being accreted using the effective interest method. The unamortized discount was \$497.2 million at December 31, 1999.

The Charter Holdings Notes rank equally with current and future unsecured and unsubordinated indebtedness (including accounts payables of the Company). The Issuers are required to make an offer to repurchase all of the Charter Holdings Notes, at a price equal to 101% of the aggregate principal or 101% of the accreted value, together with accrued and unpaid interest, upon a change of control of the Company.

#### Renaissance Notes

In connection with the acquisition of Renaissance Media Group LLC (Renaissance) during the second quarter of 1999, the Company assumed \$163.2 million principal amount at maturity of senior discount notes due April 2008 (the "Renaissance Notes"). As a result of the change in control of Renaissance, the Company was required to make an offer to repurchase the Renaissance Notes at 101% of their accreted value. In May 1999, the Company made an offer to repurchase the Renaissance Notes pursuant to this requirement, and the holders of the Renaissance Notes tendered an amount representing 30% of the total outstanding principal amount at maturity for repurchase. These notes were repurchased using a portion of the proceeds from the Charter Holdings Notes.

As of December 31, 1999, \$114.4 million aggregate principal amount at maturity of Renaissance Notes with an accreted value of \$83.0 million remain outstanding. Interest on the Renaissance Notes shall be paid semi-annually at a rate of 10% per annum beginning on October 15, 2003.

The Renaissance Notes are redeemable at the option of the Company, in whole or in part, at any time on or after April 15, 2003, initially at 105% of their principal amount at maturity, plus accrued and unpaid interest, declining to 100% of the principal amount at maturity, plus accrued and unpaid interest, on or after April 15, 2006. In addition, at any time prior to April 15, 2001, the Company may redeem up to 35% of the original principal amount at maturity with the proceeds of one or more sales of membership units at 110% of their accreted value, plus accrued and unpaid interest on the redemption date, provided that after any such redemption, at least \$106 million aggregate principal amount at maturity remains outstanding.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## Rifkin Notes

The Company acquired Rifkin Acquisition Partners L.L.L.P. and InterLink Communications, Partners, LLLP (collectively, "Rifkin") in September 1999 and assumed Rifkin's 11.125% senior subordinated notes due 2006 (the "Rifkin Notes") together with a \$3.0 million promissory note payable to Monroe Rifkin. Interest on the Rifkin Notes is payable semi-annually on January 15 and July 15 of each year. In September 1999, the Company commenced an offer to repurchase any and all of the outstanding Rifkin Notes, for cash at a premium over the principal amounts. In conjunction with this tender offer, the Company sought and obtained the consent of a majority in principal amount of the note holders of the outstanding Rifkin Notes to proposed amendments to the indenture governing the Rifkin Notes, which eliminated substantially all of the restrictive covenants. In October 1999, the Company repurchased a portion of the Rifkin Notes with a total outstanding principal amount of \$124.1 million for a total of \$140.6 million, including a consent fee to the holders who delivered timely consents amending the indenture, and repurchased the promissory note issued to Monroe Rifkin for \$3.4 million. These notes were paid using borrowings from the Charter Operating Credit Facilities. At December 31, 1999, \$900 aggregate principal of Rifkin Notes remain outstanding.

## Avalon Notes

The Company acquired CC V Holdings, LLC (Avalon) (formerly known as Avalon Cable LLC) in November 1999 and assumed Avalon's 11.875% Senior Discount Notes Due 2008 (the "Avalon 11.875% Notes") and 9.375% Subordinated Notes Due 2008 (the "Avalon 9.375% Notes"). As of December 31, 1999, \$196.0 million aggregate principal amount of the Avalon 11.875% Notes with an accreted value of \$124.8 million and \$150.0 million principal amount of the Avalon 9.375% Notes were outstanding. After December 1, 2003, cash interest on the Avalon 11.875% Notes will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004.

On December 3, 1999, the Company commenced a change of control offer with respect to the Avalon 9.375% Notes and a change of control offer with respect to the Avalon 11.875% Notes at purchase prices of 101% of principal amount or accreted value, as applicable. In January 2000, the Company completed the repurchase of the Avalon 9.375% Notes with a total outstanding principal amount of \$134.0 million for a total of \$137.4 million. In addition to the change of control repurchase, the Company repurchased the remaining outstanding principal amount of \$16.0 million in the open market for \$16.3 million. Also in January 2000, the Company repurchased a portion of the Avalon 11.875% Notes with a total outstanding principal amount of \$16.3 million for a total of \$10.5 million. The repurchase of the Avalon 9.375% Notes and the Avalon 11.875% Notes was funded by a portion of the cash proceeds from the issuance of additional notes by Charter Holdings in January 2000 (the "January 2000 Charter Holdings Notes"). Avalon 11.875% Notes with a total principal amount at maturity of \$179.8 million and an accreted value of \$116.4 million remain outstanding after the repurchases.

## Falcon Debentures

The Company acquired CC VII Holdings, LLC (Falcon) (formerly known as Falcon Communications, L.P.) in November 1999 and assumed Falcon's 8.375% Senior Debentures Due 2010 (the "Falcon 8.375% Debentures") and 9.285% Senior Discount Debentures Due 2010 (the "Falcon 9.285% Debentures", collectively, with the Falcon 8.375% Debentures, the "Falcon Debentures"). As of December 31, 1999, \$375.0 million aggregate principal amount of the Falcon 8.375% Debentures and \$435.3 million aggregate principal amount of the Falcon 9.285% Debentures, with an accreted value of \$323.0 million were outstanding.

On December 10, 1999, the Company commenced change of control offers and offered to repurchase the Falcon Debentures at purchase prices of 101% of principal amount, plus unpaid and accrued interest, or accreted value, as applicable. In February 2000, the Company completed the repurchase of the Falcon 8.375%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Debentures with a total outstanding principal amount of \$317.4 million for a total of \$328.6 million. In addition to the change of control repurchase, the Company repurchased the Falcon 8.375% Debentures with a total outstanding principal amount of \$57.6 million in the open market for \$59.4 million. Also, in February 2000, the Company repurchased the Falcon 9.285% Debentures with an aggregate principal amount of \$230.0 million for a total of \$173.8 million. In addition to the change of control repurchase, the Company repurchased the Falcon 9.285% Debentures with an aggregate principal amount of \$205.3 million in the open market for \$154.3 million. The repurchase of all the Falcon Debentures was funded by a portion of the proceeds from the January 2000 Charter Holdings Notes.

## Helicon Notes

The Company acquired Helicon I, L.P. and affiliates (Helicon) in July 1999 and assumed Helicon's 11% Senior Secured Notes due 2003 (the "Helicon Notes"). On November 1, 1999, the Company redeemed all of the Helicon Notes at a purchase price equal to 103% of their principal amount, plus accrued interest, for \$124.8 million using borrowings from the Charter Operating Credit Facilities.

## Charter Operating Credit Facilities

The Charter Operating Credit Facilities provide for two term facilities, one with a principal amount of \$1.0 billion that matures September 2007 (Term A), and the other with the principal amount of \$1.85 billion that matures March 2008 (Term B). The Charter Operating Credit Facilities also provide for a \$1.25 billion revolving credit facility with a maturity date of September 2007 and at the options of the lenders, supplemental credit facilities, in the amount of \$500.0 million available until March 18, 2002. Amounts under the Charter Operating Credit Facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% (8.22% to 8.97% as of December 31, 1999). A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of Term A and the revolving credit facility. As of December 31, 1999, the unused availability was \$1.2 billion. In March 2000, the credit agreement was amended to increase the amount of the supplemental credit facility to \$1.0 billion. In connection with this amendment, \$600.0 million of the supplemental credit facility (the "Incremental Term Loan") was drawn down. The Incremental Term Loan maturity date is September 18, 2008.

## Avalon Credit Facilities

In connection with the Avalon acquisition, the Company entered into a new credit agreement (the "Avalon Credit Facilities"). The Avalon Credit Facilities have maximum borrowings of \$300.0 million, consisting of a revolving facility in the amount of \$175.0 million that matures May 15, 2008, and a Term B loan in the amount of \$125.0 million that matures on November 15, 2008. The Avalon Credit Facilities also provide for, at the options of the lenders, supplemental credit facilities in the amounts of \$75 million available until December 31, 2003. All amounts mature in June 2008. Amounts under the Avalon Credit Facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin up to 2.75% (7.995% to 8.870% as of December 31, 1999). A quarterly commitment fee of between 0.250% and 0.375% per annum is payable on the unborrowed balance. The Company borrowed \$170.0 million under the Avalon Credit Facilities to fund a portion of the Avalon purchase price. As of December 31, 1999, unused availability was \$ 130.0 million.

## Fanch Credit Facilities

In connection with the acquisition of cable systems of Fanch Cablevision L.P. and affiliates (Fanch), the Company entered into a new credit agreement (the "Fanch Credit Facilities"). The Fanch Credit Facilities provide for two term facilities, one with a principal amount of \$450.0 million that matures May 2008 (Term A), and the other with the principal amount of \$400.0 million that matures November 2008 (Term B). The Fanch Credit Facilities also provide for a \$350.0 million revolving credit facility with a maturity date of

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

May 2008 and at the options of the lenders, supplemental credit facilities, in the amount of \$300.0 million available until December 31, 2004. Amounts under the Fanch Credit Facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% (8.12% to 8.87% as of December 31, 1999). A quarterly commitment fee of between 0.250% and 0.375% per annum is payable on the unborrowed balance. The Company used \$850.0 million of the credit facilities to fund a portion of the Fanch purchase price. As of December 31, 1999, unused availability was \$ 350.0 million.

## Falcon Credit Facilities

In connection with the Falcon acquisition, the existing Falcon credit agreement (the "Falcon Credit Facilities") was amended to provide for two term facilities, one with a principal amount of \$200.0 million that matures June 2007 (Term B), and the other with the principal amount of \$300.0 million that matures December 2007 (Term C). The Falcon Credit Facilities also provide for a \$646.0 million revolving credit facility with a maturity date of December 2006 and at the options of the lenders, supplemental credit facilities in the amounts of \$700.0 million with a maturity date of December 2007. At December 31, 1999, \$110.0 million was outstanding under the supplemental credit facilities. Amounts under the Falcon Credit Facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.5% (7.57% to 8.73% as of December 31, 1999). A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance. As of December 31, 1999, unused availability was \$390.5 million. However, debt covenants limit the amount that can be borrowed to \$342.0 million at December 31, 1999.

The indentures governing the debt agreements require issuers of the debt and/or its subsidiaries to comply with various financial and other covenants, including the maintenance of certain operating and financial ratios. These debt instruments also contain substantial limitations on, or prohibitions of distributions, additional indebtedness, liens, asset sales and certain other items. As a result of limitations and prohibitions of distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution to Charter Holdings, Charter Holdco and Charter.

Based upon outstanding indebtedness at December 31, 1999, the amortization of term loans, scheduled reductions in available borrowings of the revolving credit facilities, and the maturity dates for all senior and subordinated notes and debentures, aggregate future principal payments on the total borrowings under all debt agreements at December 31, 1999, are as follows:

YEAR	AMOUNT
2000.....	\$ --
2001.....	5,000
2002.....	93,875
2003.....	284,229
2004.....	261,423
Thereafter.....	8,994,036
	\$9,638,563 =====

CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

A summary of debt and the related interest rate hedge agreements at December 31, 1999, is as follows:

CARRYING NOTIONAL FAIR DEBT VALUE AMOUNT	VALUE	-----
- Charter Holdings: 8.250% Senior	Notes.....	\$ 598,557
\$-- \$ 558,000 8.625% Senior	Notes.....	1,495,787
-- 1,395,000 9.920% Senior Discount	Notes.....	977,807 -- 881,313
Renaissance: 10.000% Senior Discount	Notes.....	86,507 -- 79,517
Rifkin: 11.125% Senior Subordinated	Notes.....	954 -- 990
Avalon: 9.375% Senior Subordinated	Notes.....	151,500 -- 151,500
11.875% Senior Discount	Notes.....	129,212 -- 129,212
7.000% Note payable, due	2003.....	500 -- 500
CC VII Holdings, LLC (Falcon): 8.375% Senior	Debentures.....	378,750 -
- 378,750 9.285% Senior Discount	Debentures.....	325,381 -- 325,381
Credit Facilities: Charter	Operating.....	2,906,000 -- 2,906,000
Operating	2,906,000 -- 2,906,000	CC Michigan LLC and CC New England LLC
(Avalon).....	170,000 -- 170,000	CC VI Operating, LLC (Fanch).....
850,000 -- 850,000	Falcon Cable Communications, LLC.....	865,500 -- 865,500
Loans payable -- related parties.....	1,079,163	1,079,163

CARRYING NOTIONAL FAIR INTEREST RATE HEDGE AGREEMENTS VALUE AMOUNT VALUE	VALUE	-----
Swaps.....	\$(6,827) \$4,542,713	\$(47,220)
Caps.....	-- 15,000	16
Collars.....	1,361	240,000 (199)

A summary of debt and the related interest rate hedge agreements at December 31, 1998, is as follows:

CARRYING NOTIONAL FAIR VALUE AMOUNT VALUE	VALUE	----
DEBT Credit Agreements (including CCPH, CCA Group and CharterComm Holdings).....	\$1,726,500	\$1,726,500
\$ -- \$1,726,500 14.000% Senior Secured Discount Debentures.....	138,102 -- 138,102	11.250% Senior
Notes.....	137,604 -- 137,604	INTEREST RATE HEDGE AGREEMENTS
Swaps.....	\$ 23,216 \$1,105,000	\$ 23,216
Caps.....	-- 15,000 --	
Collars.....	4,174	310,000 4,174



CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As the long-term debt under the credit agreements bears interest at current market rates, their carrying amount approximates market value at December 31, 1999 and 1998. The fair values of the notes and the debentures are based on quoted market prices.

The weighted average interest pay rate for the Company's interest rate swap agreements was 8.06% and 7.66% at December 31, 1999 and 1998, respectively. The weighted average interest rate for the Company's interest rate cap agreements was 9.0% and 8.55% at December 31, 1999 and 1998, respectively. The weighted average interest rate for the Company's interest rate collar agreements were 9.13% and 7.74% for the cap and floor components, respectively, at December 31, 1999, and 8.61% and 7.31%, respectively, at December 31, 1998.

The notional amounts of interest rate hedge agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of interest rate hedge agreements. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

The fair value of interest rate hedge agreements generally reflects the estimated amounts that the Company would (receive) or pay (excluding accrued interest) to terminate the contracts on the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotations are available for the Company's interest rate hedge agreements.

Management believes that the sellers of the interest rate hedge agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate hedge agreements are with certain of the participating banks under the Company's credit facilities, thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial position or results of operations.

9. REVENUES:

Revenues consist of the following:

	PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH DECEMBER 31, DECEMBER 31, 1999	1998	-----	-----
Basic.....		\$1,002,954	\$ 9,347	
Premium.....	124,788	1,415	Pay-per-	
view.....			27,537	
video.....	260	Digital		
sales.....	10	Advertising	71,997	493
modem.....		Cable		
		10,107	55	
Other.....				
	182,408	2,133	-----	-----
			\$1,428,090	\$13,713
			=====	=====

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 10. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES:

Operating, general and administrative expenses consist of the following:

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH DECEMBER 31, DECEMBER 31, 1999	1998	1999
Programming.....	\$330,754	\$3,137
administrative.....		237,480
	2,377	
Service.....	99,486	847
Advertising.....	31,281	344
Marketing.....	23,447	225
Other.....	15,509	204
		\$737,957
		\$7,134
		=====
		=====

## 11. RELATED PARTY TRANSACTIONS:

Charter Investment and Charter provide management services to the Company including centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Certain costs for services are billed and charged directly to the Company's operating subsidiaries and are included in operating costs. These billings are allocated based on the number of basic customers. Such costs totaled \$16.5 million and \$128 for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, respectively. All other costs incurred by Charter Investment and Charter on behalf of the Company are recorded as expenses in the accompanying consolidated financial statements and are included in corporate expense charges -- related parties. Management believes that costs incurred by Charter Investment and Charter on the Company's behalf and included in the accompanying financial statements are not materially different than costs the Company would have incurred as a stand-alone entity.

The Company pays certain costs on behalf of Charter Investment and Charter. These costs are reimbursed by Charter Investment and Charter and are recorded as receivables from manager of cable systems-related parties in the accompanying consolidated financial statements.

Charter Investment utilizes a combination of excess insurance coverage and self-insurance programs for its medical, dental and workers' compensation claims. Charges are made to the Company as determined by independent actuaries at the present value of the actuarially computed present and future liabilities for such benefits. Medical coverage provides for \$1.0 million aggregate stop loss protection and a loss limitation of \$100 per person per year. Workers' compensation coverage provides for \$1.0 million aggregate stop loss protection and a loss limitation of \$250 per person per year.

The Company is charged a management fee as stipulated in the management agreements between Charter Investment, Charter and the Company. As of December 31, 1999 and 1998, management fees currently payable of \$9.2 million and \$473, respectively, are included in payables to manager of cable television systems-related parties. To the extent management fees charged to the Company are greater (less) than the corporate expenses incurred by Charter Investment and Charter, the Company will record distributions to (capital contributions from) Charter Investment and Charter. For the year ended December 31, 1999, the Company recorded distributions of \$10.3 million. For the period from December 24, 1998, through December 31, 1998, the management fee charged to the Company approximated the corporate expenses incurred by Charter Investment and Charter on behalf of the Company. The Charter Operating

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Credit Facilities and notes outstanding prohibit payments of management fees in excess of 3.5% of revenues until repayment of the outstanding indebtedness. Any amount in excess of 3.5% of revenues owed to Charter Investment or Charter based on the management agreement is recorded as deferred management fees -- related parties.

Charter, Mr. Allen and certain affiliates of Mr. Allen own equity interests or warrants to purchase equity interests in various entities that provide services or programming to the Company, including High Speed Access Corp. (High Speed Access), WorldGate, Wink Communications, Inc. (Wink), ZDTV, LLC (ZDTV), USA Networks, Inc. (USA Networks) and Oxygen Media Inc. (Oxygen Media). In addition, certain officers of the Company or directors of Charter also serve as directors of High Speed Access and USA Networks. The Company and its affiliates do not hold controlling interests in any of these companies.

Certain of the Company's cable customers receive cable modem-based Internet access through High Speed Access and TV-based Internet access through WorldGate. For the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, revenues attributable to these services were less than 1% of total revenues.

The Company receives or will receive programming and certain interactive features embedded into the programming for broadcast via its cable systems from Wink, ZDTV, USA Networks and Oxygen Media. The Company pays a fee for the programming service generally based on the number of subscribers receiving the service. Such fees for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, were approximately 1% of total operating costs. In addition, the Company receives commissions from USA Networks for home shopping sales generated by its customers. Such revenues for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, were less than 1% of total revenues.

In the second quarter of 1999, Charter Holdings loaned \$50 million to Charter Holdco. The promissory note bears interest at 7.5% compounded annually. For the year ended December 31, 1999, Charter Holdings recognized \$1.2 million of interest income pertaining to this promissory note. This note was repaid in November 1999.

In connection with the issuance of the Charter Holdings Notes in March 1999, the Company extinguished substantially all existing long-term debt including debt at Marcus Cable. Prior to the merger with Marcus Cable in March 1999, the Company loaned Marcus Cable \$1.7 billion. In April 1999, the loan was repaid.

During November 1999, the Company received \$1.1 billion from Charter and Charter Holdco that was used to pay down the Credit Facilities. The Company recorded the funds as loans payable-related parties. The loans will be repaid with additional long-term borrowings made in connection with the Bresnan acquisition (see Note 17) and accordingly, the loans have been classified as long-term. The loans carry interest rates from 7.82% to 7.91%. Interest expense on the loans totaled \$10.4 million for the year ended December 31, 1999.

## 12. OPTION PLAN:

In accordance with an employment agreement between Charter Investment and the President and Chief Executive Officer of Charter and a related option agreement with the President and Chief Executive Officer, an option to purchase 7,044,127 Charter Holdco membership interests, was issued to the President and Chief Executive Officer. The option vests over a four year period from the date of grant and expires ten years from the date of grant.

In February 1999, Charter Holdings adopted an option plan providing for the grant of options. The plan was assumed by Charter Holdco. The option plan provides for grants of options to employees, officers and directors of Charter Holdco and its affiliates and consultants who provide services to Charter Holdco. Options

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

granted vest over five years from the grant date, commencing 15 months after the date of grant. Options not exercised accumulate and are exercisable, in whole or in part, in any subsequent period, but not later than ten years from the date of grant.

Membership units received upon exercise of the options are automatically exchanged for shares of Class A common stock of Charter on a one-for-one basis.

A summary of the activity for the Company's option plan for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998 is as follows:

1999	1998	-----	-----	-----	-----
EXERCISE	EXERCISE	SHARES	PRICE	SHARES	PRICE
----- Options					
outstanding, beginning of period.....					
7,044,127	\$20.00	--	\$	--	Granted: December 23,
					1998.....
		7,044,127	20.00		February 9,
1999.....				9,111,681	
				20.00	-- April 5,
1999.....				473,000	
				20.73	-- November 8,
1999.....				4,741,400	
				19.00	-- --
Cancelled.....					
(612,600)	19.95	--			-----
----- Options outstanding, end of					
period..... 20,757,608 \$19.79					
7,044,127	\$20.00	=====	=====	=====	=====
===== Weighted Average Remaining Contractual					
Life..... 9.2 years 10.0 years =====					
===== Options Exercisable, end of					
period..... 2,091,032 \$19.90 1,761,032					
\$20.00 =====					
Weighted average fair value of options					
granted... \$ 12.59 \$ 12.50 =====					
=====					

In February 2000, the Company granted 5.7 million options at \$19.47 per share.

The Company uses the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, to account for the option plans. Option compensation expense of \$80.0 million and \$845 for the year ended December 31, 1999, and for the period from December 24, 1998, to December 31, 1998, respectively, has been recorded in the consolidated financial statements since the exercise prices were less than the estimated fair values of the underlying membership interests on the date of grant. Estimated fair values were determined by the Company using the valuation inherent in the Paul Allen Transaction and valuations of public companies in the cable television industry adjusted for factors specific to the Company. Compensation expense is being recorded over the vesting period of each grant that varies from four to five years. As of December 31, 1999, deferred compensation remaining to be recognized in future periods totaled \$79.4 million. No option compensation expense was recorded for the options granted on November 8, 1999, since the exercise price is equal to the estimated fair value of the underlying membership interests on the date of grant. Since the membership units are exchangeable into Class A common stock of Charter on a one-for-one basis, the estimated fair value was equal to the initial offering price of Class A common stock.

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), requires pro forma disclosure of the impact on earnings as if the compensation costs for these

CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

plans had been determined consistent with the fair value methodology of this statement. The Company's net loss would have been increased to the following unaudited pro forma amounts under SFAS 123:

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH	
DECEMBER 31, DECEMBER 31, 1999 1998 -----	---
----- Net loss: As	
reported.....	.....
\$(648,708) \$(5,277) Pro forma	
(unaudited).....	.....
(673,042) (5,495)	

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants during the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, respectively: risk-free interest rates of 5.5% and 4.8%; expected volatility of 43.8% and 43.7%; and expected lives of 10 years. The valuations assume no dividends are paid.

13. COMMITMENTS AND CONTINGENCIES:

Leases

The Company leases certain facilities and equipment under noncancelable operating leases. Leases and rental costs charged to expense for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, were \$11.2 million and \$70, respectively. As of December 31, 1999, future minimum lease payments are as follows:

2000.....	\$9,036
2001.....	7,141
2002.....	4,645
2003.....	3,153
2004.....	2,588
Thereafter.....	8,845

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, was \$14.3 million and \$137, respectively.

Litigation

The Company is a party to lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits and claims will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Regulation in the Cable Television Industry

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communica-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

tions Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. During 1999, the amounts refunded by the Company have been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. As of December 31, 1999, approximately 18% of the Company's local franchising authorities are certified to regulate basic tier rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the consolidated financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Company does not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Company's consolidated financial position or results of operations.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

**14. EMPLOYEE BENEFIT PLANS:**

The Company's employees may participate in 401(k) plans (the "401(k) Plans"). Employees that qualify for participation can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company matches 50% of the first 5% of participant contributions. The Company made contributions to the 401(k) Plans totaling \$2.9 million and \$20 for the year ended December 31, 1999, and for the period from December 24, 1998, through December 31, 1998, respectively.

**15. ACCOUNTING STANDARD NOT YET IMPLEMENTED:**

The Company is required to adopt Statement of Financial Accounting Standards Board No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) on January 1, 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset

CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company has not yet quantified the impact of adopting SFAS No. 133 on the consolidated financial statements nor has the Company determined the timing of the adoption of SFAS No. 133. However, SFAS No. 133 could increase the volatility in earnings (losses).

16. PARENT COMPANY ONLY FINANCIAL STATEMENTS:

As the result of limitations on and prohibition of distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution to Charter Holdings, the parent company. The following parent company only financial statements of Charter Holdings account for the investment in Charter Operating, Fanch, Falcon and Avalon under the equity method of accounting. The financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto.

CHARTER COMMUNICATIONS HOLDINGS, LLC (PARENT COMPANY ONLY)  
 CONDENSED BALANCE SHEETS  
 (DOLLARS IN THOUSANDS)

DECEMBER 31, -	-----	1999	1998	-
	-----			
		ASSETS		
equivalents.....				\$
		9,762		\$ -- Investment in
subsidiaries.....				
		11,090,874	2,147,379	Other
assets.....				
		69,793	--	----- \$11,170,429
		\$2,147,379	=====	===== LIABILITIES AND
				MEMBER'S EQUITY
liabilities.....				Current
\$ 47,365		\$ -- Payables to manager of cable systems -		
		- related parties....	2,960	-- Long-term
debt.....				
		3,072,151	--	Member's
equity.....				
		8,047,953	2,147,379	-----
		\$11,170,429	\$2,147,379	=====

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CHARTER COMMUNICATIONS HOLDINGS, LLC (PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF OPERATIONS  
(DOLLARS IN THOUSANDS)

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH	DECEMBER 31, 1998	DECEMBER 31, 1998	1998
----- Interest			
expense.....			
	\$(221,925)	\$ --	Interest
income.....			
	11,833	--	Equity in loss of
subsidiaries.....			(438,616)
	(5,277)	-----	Net
loss.....			
	\$(648,708)	\$(5,277)	=====

CHARTER COMMUNICATIONS HOLDINGS, LLC (PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

PERIOD FROM DECEMBER 24, 1998, YEAR ENDED THROUGH	DECEMBER 31, 1998	DECEMBER 31, 1999	1998
----- CASH FLOWS FROM OPERATING ACTIVITIES: Net			
loss.....			
	\$ (648,708)	\$(5,277)	Noncash interest
expense.....			78,473 --
			Equity in losses of
subsidiaries.....			438,616 5,277
			Changes in assets and
liabilities.....			48,825 --
			----- Net cash used in operating
activities.....			(82,794) --
			----- CASH FLOWS FROM INVESTING ACTIVITIES:
			Investment in Charter
Operating.....			(1,730,466) --
			Loans to Marcus Cable Holdings,
LLC.....			(1,680,142) Repayment of
			debt on behalf of Charter Operating.....
			(663,259) Distributions received from Charter
Operating.....			96,748 --
			----- Net cash used in investing
activities.....			(3,977,119) --
			----- CASH FLOWS FROM FINANCING ACTIVITIES:
			Net proceeds from debt
offering.....			2,999,385 --
			Payments for debt issuance
costs.....			(74,000) --
			Capital
contributions.....			
			1,144,290 --
			----- Net cash used in
financing activities.....			4,069,675 --
			----- NET INCREASE IN CASH AND CASH
EQUIVALENTS.....			9,762 --
			CASH AND CASH
			EQUIVALENTS, beginning of period.....
			----- CASH AND CASH EQUIVALENTS, end
of period.....			\$ 9,762 \$ --
			=====



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 17. SUBSEQUENT EVENTS:

On January 6, 2000, Charter Holdings issued notes with a principal amount of \$1.5 billion (January 2000 Charter Holdings Notes). The January 2000 Charter Holdings Notes are comprised of \$675.0 million 10.00% Senior Notes due 2009, \$325.0 million 10.25% Senior Notes due 2010, and \$532.0 million 11.75% Senior Discount Notes due 2010. The net proceeds were approximately \$1.3 billion, after giving effect to discounts, commissions and expenses. The proceeds from the January 2000 Charter Holdings Notes were used to finance the repurchases of debt assumed in the acquisitions of Fanch, Falcon and Avalon, and the Bresnan acquisition (as defined below).

On February 14, 2000, Charter Holdco and Charter Holdings completed the acquisition of Bresnan Communications Company Limited Partnership (Bresnan). Prior to the acquisition, Charter Holdco assigned a portion of its rights to purchase Bresnan to Charter Holdings. Charter Holdco and Charter Holdings purchased 52% of Bresnan from certain sellers for cash and certain sellers contributed 18% of Bresnan to Charter Holdco for 14.8 million Class C common membership units of Charter Holdco, an approximate 2.6% equity interest in Charter Holdco. Charter Holdco then transferred its ownership interest to Charter Holdings. Thereafter, Charter Holdings and certain sellers contributed all of the outstanding interests in Bresnan to CC VIII, LLC (CC VIII), a subsidiary of Charter Holdings and Bresnan was dissolved. In exchange for the contribution of their interests in Bresnan, the sellers received approximately 24.2 million Class A preferred membership units in CC VIII representing 30% of the equity of CC VIII and are entitled to a 2% annual return on their preferred membership units. The purchase price for Bresnan was approximately \$3.1 billion subject to adjustment and was comprised of \$1.1 billion in cash, \$384.6 million and \$629.5 million in equity in Charter Holdco and CC VIII, respectively, and approximately \$1.0 billion in assumed debt. All the membership units received by the sellers are exchangeable on a one-for-one basis for Class A common stock of Charter. The Bresnan cable systems acquired are located in Michigan, Minnesota, Wisconsin and Nebraska, and serve approximately 686,000 (unaudited) customers.

Subsequent to the completion of the Bresnan acquisition, Charter repurchased all of the outstanding Bresnan 9.25% Senior Discount Notes Due 2009 with an accreted value of \$192.1 million and Bresnan 8.00% Senior Notes Due 2009 with a principal amount of \$170.0 million for a total of \$369.7 million. The notes were repurchased using a portion of the proceeds of the January 2000 Charter Holdings Notes.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications Holdings, LLC:

We have audited the accompanying consolidated statements of operations, changes in shareholder's investment and cash flows of Charter Communications Holdings, LLC and subsidiaries for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the operations and the cash flows of Charter Communications Holdings, LLC and subsidiaries for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 5, 1999



## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S INVESTMENT  
(DOLLARS IN THOUSANDS)

COMMON PAID-IN ACCUMULATED STOCK CAPITAL	
DEFICIT TOTAL	-----
	----- BALANCE, December 31,
1996.....	\$-- \$ 5,900 \$
	(3,252) \$ 2,648 Net
loss.....	-----
-- -- (4,623) (4,623)	-----
	----- BALANCE, December 31,
1997.....	-- 5,900
	(7,875) (1,975) Capital
contributions.....	--
	10,800 -- 10,800 Net
loss.....	-----
-- -- (17,222) (17,222)	-----
	----- BALANCE, December 23,
1998.....	\$-- \$16,700
	\$(25,097) \$ (8,397) == =====
	=====

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

PERIOD FROM JANUARY 1, 1998, THROUGH YEAR ENDED  
DECEMBER 23, DECEMBER 31, 1998 1997 ----- - - -

----- CASH FLOWS FROM OPERATING ACTIVITIES: Net  
loss.....  
\$ (17,222) \$ (4,623) Adjustments to reconcile net loss  
to net cash provided by operating activities --  
Depreciation and amortization.....  
16,864 6,103 Noncash interest  
expense..... 267 123 Loss on  
sale of cable system..... -- 1,363  
(Gain) loss on disposal of property, plant and  
equipment.....  
(14) 130 Changes in assets and liabilities, net of  
effects from acquisition --  
Receivables.....  
10 (227) Prepaid expenses and  
other..... (125) 18 Accounts  
payable and accrued expenses..... 16,927  
894 Payables to manager of cable systems-related  
party..... 5,288 (153) Other operating  
activities..... 569 -- -----  
-- - ----- Net cash provided by operating  
activities..... 22,564 3,628 -----  
CASH FLOWS FROM INVESTING ACTIVITIES: Purchases of  
property, plant and equipment..... (15,364)  
(7,880) Payment for acquisition, net of cash  
acquired..... (167,484) -- Proceeds from sale  
of cable system..... -- 12,528  
Other investing  
activities..... (486) -- --  
----- - ----- Net cash (used in) provided by  
investing  
activities.....  
(183,334) 4,648 ----- - ----- CASH FLOWS FROM  
FINANCING ACTIVITIES: Borrowings of long-term  
debt..... 217,500 5,100  
Repayments of long-term  
debt..... (60,200) (13,375)  
Capital  
contributions.....  
7,000 -- Payments for debt issuance  
costs..... (3,487) (12) -----  
- ----- Net cash provided by (used in) financing  
activities.....  
160,813 (8,287) ----- - ----- NET INCREASE  
(DECREASE) IN CASH AND CASH EQUIVALENTS..... 43  
(11) CASH AND CASH EQUIVALENTS, beginning of  
period..... 626 637 ----- - ----- CASH  
AND CASH EQUIVALENTS, end of  
period..... \$ 669 \$ 626 =====  
===== CASH PAID FOR  
INTEREST..... \$ 7,679  
\$ 3,303 =====

The accompanying notes are an integral part of these consolidated statements.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

## 1. ORGANIZATION AND BASIS OF PRESENTATION:

Charter Communications Holdings, LLC (Charter Holdings), a Delaware limited liability company, was formed in February 1999 as a wholly owned subsidiary of Charter Investment, Inc. (Charter Investment). Charter Investment, through its wholly owned cable television operating subsidiary, Charter Communications Properties Holdings, LLC (CCPH), commenced operations with the acquisition of a cable television system on September 30, 1995.

Effective December 23, 1998, as a part of a series of transactions, through which Paul G. Allen acquired Charter Investment, Mr. Allen acquired CCPH for an aggregate purchase price of \$211 million, excluding \$214 million in debt assumed (the "Paul Allen Transaction"). In conjunction with the Paul Allen Transaction, CCPH was converted from a corporation to a limited liability company. Also, in conjunction with the Paul Allen Transaction, Charter Investment for fair value acquired from unrelated third parties all of the interest it did not already own in CharterComm Holdings, LLC (CharterComm Holdings) and CCA Group (comprised of CCA Holdings, Corp., CCT Holdings Corp. and Charter Communications Long Beach, Inc.), all cable television operating companies, for \$2.0 billion, excluding \$1.8 billion in debt assumed. Charter Investment previously managed and owned minority interests in these companies. These acquisitions were accounted for using the purchase method of accounting, and accordingly results of operations of CharterComm Holdings and CCA Group are included in the financial statements of Charter Holdings from the date of acquisition. In February 1999, Charter Investment transferred all of its cable television operating subsidiaries to a wholly owned subsidiary of Charter Holdings, Charter Communications Operating, LLC (Charter Operating). Charter Holdings is a wholly owned subsidiary of Charter Communications Holding Company, LLC (Charter Holdco). The transfer was accounted for as a reorganization of entities under common control similar to a pooling of interests.

The accompanying consolidated financial statements include the accounts of CCPH and CCP, its wholly owned cable operating subsidiary, representing the consolidated financial statements of Charter Holdings and subsidiaries (collectively, the "Company") for all periods presented. The accounts of CharterComm Holdings and CCA Group are not included since these companies were not owned and controlled by Charter Investment prior to December 23, 1998.

As a result of the change in ownership of CCPH, CharterComm Holdings and CCA Group, Charter Holdings has applied push-down accounting in the preparation of the consolidated financial statements effective December 23, 1998. Accordingly, the consolidated financial statements of Charter Holdings for periods ended on or before December 23, 1998, are presented on a different cost basis than the consolidated financial statements for the periods after December 23, 1998 (not presented herein), and are not comparable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost that approximates market value.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable transmission and distribution facilities, and the cost of new customer installations. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, while equipment replacement and betterments are capitalized.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

For the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, depreciation expense was \$6.2 million and \$3.9 million, respectively.

## FRANCHISES

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable systems represent management's estimate of fair value and are generally amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company.

## OTHER ASSETS

Debt issuance costs are being amortized to interest expense using the effective interest method over the term of the related debt. The interest rate cap costs are being amortized over the terms of the agreement, which approximates three years.

## IMPAIRMENT OF ASSETS

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted net cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable system. As of December 23, 1998, and December 31, 1997, no installation revenue has been deferred, as direct selling costs have exceeded installation revenue.

Fees collected from programmers to guarantee carriage are deferred and amortized to income over the life of the contracts. Local governmental authorities impose franchise fees on the Company ranging up to a federally mandated maximum of 5.0% of gross revenues. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to local franchise authorities. Franchise fees collected and paid are reported as revenues and expenses.

## INTEREST RATE HEDGE AGREEMENTS

The Company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain debt agreements. Interest rate swaps, caps and collars are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The Company's interest rate swap agreements require the Company to pay a fixed rate and receive a floating rate thereby creating fixed rate debt. Interest rate caps and collars are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes.

## INCOME TAXES

The Company filed a consolidated income tax return with Charter Investment. Income taxes are allocated to the Company in accordance with the tax-sharing agreement between the Company and Charter Investment.

## USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. ACQUISITION:

In 1998, the Company acquired a cable system for an aggregate purchase price, net of cash acquired, of \$228.4 million, comprised of \$167.5 million in cash and \$60.9 million in a note payable to the seller. The excess of the cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was \$207.6 million and is included in franchises.

The above acquisition was accounted for using the purchase method of accounting, and accordingly, results of operations of the acquired assets have been included in the financial statements from the dates of acquisition. The purchase price was allocated to tangible and intangible assets based on estimated fair values at the acquisition date.

Unaudited pro forma operating results as though the acquisition discussed above, excluding the Paul Allen Transaction, had occurred on January 1, 1997, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows:

	PERIOD FROM JANUARY 1, 1998, THROUGH YEAR ENDED DECEMBER 23, DECEMBER 31, 1998	1997	-----
			(UNAUDITED)
Revenues.....			
	\$ 67,007	\$ 63,909	Loss from
operations.....			(7,097)
		(7,382)	Net
loss.....			
	\$ (24,058)	\$ (26,099)	

The unaudited pro forma information has been presented for comparative purposes and does not purport to be indicative of the results of operations had the transaction been completed as of the assumed date or which may be obtained in the future.



## CHARTER COMMUNICATIONS HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 4. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Activity in the allowance for doubtful accounts is summarized as follows:

PERIOD FROM JANUARY 1, FOR THE 1998, THROUGH YEAR ENDED DECEMBER 23, DECEMBER 31, 1998 1997 -	
----- Balance, beginning of period.....	\$ 52 \$
87 Acquisition of system.....	96
-- Charged to expense.....	1,122 325
Uncollected balances written off, net of recoveries.....	(778) (360) -- -- -----
----- Balance, end of period.....	\$
	492 \$ 52 =====

## 5. SALE OF FT. HOOD SYSTEM:

In February 1997, the Company sold the net assets of the Ft. Hood system, which served customers in Texas, for an aggregate sales price of approximately \$12.5 million. The sale of the Ft. Hood system resulted in a loss of approximately \$1.4 million, which is included in operating, general and administrative costs in the accompanying consolidated statement of operations for the year ended December 31, 1997.

## 6. INCOME TAXES:

Deferred tax assets and liabilities are recognized for the estimated future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred income tax expense or benefit is the result of changes in the liability or asset recorded for deferred taxes. A valuation allowance must be established for any portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

No current provision (benefit) for income taxes was recorded. The effective income tax rate is less than the federal rate of 35% primarily due to providing a valuation allowance on deferred income tax assets.

## 7. RELATED-PARTY TRANSACTIONS:

Charter Investment provides management services to the Company including centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Certain costs for services are billed and charged directly to the Company's operating subsidiaries and are included in operating costs. These billings are determined based on the number of basic customers. Such costs totaled \$437 and \$220, respectively, for the period from January 1, 1998, through December 23, 1998, and the year ended December 31, 1997. All other costs incurred by Charter Investment on behalf of the Company are expensed in the accompanying consolidated financial statements and are included in corporate expense allocations -- related party. The cost of these services is allocated based on the number of basic customers. Management considers these allocations to be reasonable for the operations of the Company.

Charter Investment utilizes a combination of excess insurance coverage and self-insurance programs for its medical, dental and workers' compensation claims. Charges are made to the Company as determined by independent actuaries, at the present value of the actuarially computed present and future liabilities for such benefits. Medical coverage provides for \$2.4 million aggregate stop loss protection and a loss limitation of \$100 per person per year. Workers' compensation coverage provides for \$800 aggregate stop loss protection and a loss limitation of \$150 per person per year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The Company is charged a management fee based on percentages of revenues as stipulated in the management agreement between Charter Investment and the Company. For the period from January 1, 1998, through December 23, 1998, and the year ended December 31, 1997, the management fee charged to the Company approximated the corporate expenses incurred by Charter Investment on behalf of the Company.

## 8. COMMITMENTS AND CONTINGENCIES:

## LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Leases and rental costs charged to expense for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, were \$278 and \$130, respectively.

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, was \$421 and \$271, respectively.

## LITIGATION

The Company is a party to lawsuits that arose in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## REGULATION IN THE CABLE TELEVISION INDUSTRY

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject to judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 31, 1998, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Company does not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Company's consolidated financial position or results of operations.

A number of states subject cable systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation. The Company is subject to state regulation in Connecticut.

#### 9. EMPLOYEE BENEFIT PLAN:

##### 401(K) PLAN

The Company's employees may participate in the Charter Communications, Inc. 401(k) Plan (the "401(k) Plan"). Employees that qualify for participation can contribute up to 15% of their salary, on or before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company contributes an amount equal to 50% of the first 5% of contributions by each employee. The Company contributed \$74 and \$29 for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, respectively.

##### APPRECIATION RIGHTS PLAN

Certain employees of Charter participated in the 1995 Charter Communications, Inc. Appreciation Rights Plan (the "Plan"). The Plan permitted Charter Investment to grant 1,500,000 units to certain key employees, of which 1,251,500 were outstanding at December 31, 1997. Units received by an employee vest at a rate of 20% per year, unless otherwise provided in the participant's Appreciation Rights Unit Agreement. The appreciation rights entitled the participants to receive payment, upon termination or change in control of Charter Investment, of the excess of the unit value over the base value (defined as the appreciation value) for each vested unit. The unit value was based on adjusted equity, as defined in the Plan. Deferred compensation expense was based on the appreciation value since the grant date and was being amortized over the vesting period.

As a result of the acquisition of Charter Investment by Mr. Allen, the Plan was terminated, all outstanding units became 100% vested and all amounts were paid by Charter Investment in 1999. The cost of this plan was allocated to the Company based on the number of basic customers. The company considers this allocation to be reasonable for the operations of the Company. For the period January 1, 1998, through December 23, 1998, the Company expensed \$3,800, included in corporate expense allocation-related parties, and increased shareholder's investment for the cost of this plan.

#### 10. ACCOUNTING STANDARD NOT YET IMPLEMENTED:

In June 1998, the Financial Accounting Standards Board adopted SFAS No. 133, Accounting for Derivatives Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged items in the income statement, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133 -- An Amendment of FASB Statement No. 133, has delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company has not yet quantified the impact of adopting SFAS No. 133 on the consolidated financial statements nor has determined the timing of the adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility in earnings (losses).

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCA Group:

We have audited the accompanying combined balance sheet of CCA Holdings Corp., CCT Holdings Corp. and Charter Communications Long Beach, Inc. (collectively CCA Group) and subsidiaries as of December 31, 1997, and the related combined statements of operations, shareholders' deficit and cash flows for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of CCA Group and subsidiaries as of December 31, 1997, and the combined results of their operations and their cash flows for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 5, 1999

## CCA GROUP

COMBINED BALANCE SHEET -- DECEMBER 31, 1997  
(DOLLARS IN THOUSANDS)

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents.....	\$ 4,501
Accounts receivable, net of allowance for doubtful accounts of \$926.....	9,407
Prepaid expenses and other.....	1,988
Deferred income tax asset.....	5,915
	-----
Total current assets.....	21,811
	-----
RECEIVABLE FROM RELATED PARTY, including accrued interest...	13,090
	-----
INVESTMENT IN CABLE TELEVISION PROPERTIES:	
Property, plant and equipment.....	352,860
Franchises, net of accumulated amortization of \$132,871...	806,451
	-----
	1,159,311
	-----
OTHER ASSETS.....	13,731
	-----
	\$1,207,943
	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Current maturities of long-term debt.....	\$ 25,625
Accounts payable and accrued expenses.....	48,554
Payables to manager of cable television systems -- related party.....	1,975
	-----
Total current liabilities.....	76,154
	-----
DEFERRED REVENUE.....	1,882
	-----
DEFERRED INCOME TAXES.....	117,278
	-----
LONG-TERM DEBT, less current maturities.....	758,795
	-----
DEFERRED MANAGEMENT FEES.....	4,291
	-----
NOTES PAYABLE, including accrued interest.....	348,202
	-----
SHAREHOLDERS' DEFICIT:	
Common stock.....	1
Additional paid-in capital.....	128,499
Accumulated deficit.....	(227,159)
	-----
Total shareholders' deficit.....	(98,659)
	-----
	\$1,207,943
	=====

The accompanying notes are an integral part of these combined statements.

## CCA GROUP

COMBINED STATEMENTS OF OPERATIONS  
(DOLLARS IN THOUSANDS)

	PERIOD FROM JANUARY 1, 1998, YEAR ENDED THROUGH		DECEMBER 31 DECEMBER 23, - ----- 1998	
	1997	1996	-----	-----
REVENUES.....				
\$ 324,432	\$ 289,697	\$233,392	-----	-----
	---- EXPENSES: Operating			
costs.....				
	122,917	102,977	General and	
administrative.....	28,440			
	26,400	18,687	Depreciation and	
amortization.....	136,689	116,080		
	96,547	Management fees -- related		
parties.....	17,392	11,414	8,634	-----
-- - -----	318,226	276,811	226,845	-----
	-- - ----- Income from			
operations.....	6,206	12,886		
6,547	-----	-----	OTHER INCOME	
	(EXPENSE): Interest			
income.....	4,962			
	2,043	1,883	Interest	
expense.....	(113,824)			
	(108,122)	(88,999)	Other,	
net.....	(294)			
171 (2,504)	-----	-----	(109,156)	
(105,908) (89,620)	-----	-----	Net	
loss.....				
\$(102,950)	\$ (93,022)	\$(83,073)	=====	=====
	=====			

The accompanying notes are an integral part of these combined statements.

## CCA GROUP

COMBINED STATEMENTS OF SHAREHOLDERS' DEFICIT  
(DOLLARS IN THOUSANDS)

ADDITIONAL COMMON PAID-IN ACCUMULATED STOCK CAPITAL DEFICIT TOTAL -----			
-----			BALANCE,
December 31, 1995.....	\$		
1 \$ 99,999 \$ (51,064) \$ 48,936 Net			
loss.....			
-- -- (83,073) (83,073) -----			
-----			BALANCE, December 31,
1996.....	1	99,999	
(134,137) (34,137) Capital			
contributions.....	--		
28,500 - - 28,500 Net			
loss.....			
-- -- (93,022) (93,022) -----			
-----			BALANCE, December 31,
1997.....	1	128,499	
(227,159) (98,659) Capital			
contributions.....	--		
5,684 - - 5,684 Net			
loss.....			
-- -- (102,950) (102,950) -----			
-----			BALANCE, December
23, 1998.....	\$	1	
\$134,183 \$(330,109) \$(195,925) ===			
=====			

The accompanying notes are an integral part of these combined statements.

## CCA GROUP

COMBINED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

PERIOD FROM JANUARY 1, 1998, YEAR ENDED THROUGH  
DECEMBER 31 DECEMBER 23, - -----  
1998 1997 1996 ----- CASH FLOWS

## FROM OPERATING ACTIVITIES: Net

loss.....			
\$ (102,950)	\$ (93,022)	\$ (83,073)	Adjustments to reconcile net loss to net cash provided by operating activities -- Depreciation and amortization..... 136,689
116,080	96,547		Amortization of debt issuance costs and non cash interest
cost.....			44,701
49,107	39,927		(Gain) loss on sale of property, plant and equipment.....
511	(156)	1,257	Changes in assets and liabilities, net of effects from acquisitions -- Accounts receivable, net.....
4,779	222	(1,393)	Prepaid expenses and other..... 243 (175) 216
Accounts payable and accrued expenses.....			
3,849	8,797	3,855	Payables to manager of cable television systems, including deferred management fees..... 3,485 784 448
revenue.....			1,336
559	(236)		Other operating activities..... 5,583 (3,207)
1,372			Net cash provided by operating activities..... 98,226
78,989	58,920		CASH FLOWS FROM INVESTING ACTIVITIES: Purchases of property, plant and equipment.....
(95,060)	(82,551)	(56,073)	Payments for acquisitions, net of cash acquired..... --
(147,187)	(122,017)		Other investing activities..... (2,898)
(1,296)	54		Net cash used in investing activities.....
(97,958)	(231,034)	(178,036)	CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings of long-term
debt.....			300,400 162,000
127,000			Repayments of long-term debt..... (64,120) (39,580)
(13,100)			Payments of debt issuance costs..... (8,442) (3,360)
(3,126)			Repayments under notes payable..... (230,994) - - -
contributions.....			Capital
28,500			Net cash provided by (used in) financing activities.....
(3,156)	147,560	110,774	NET DECREASE IN CASH AND CASH EQUIVALENTS..... (2,888) (4,485)
(8,342)			CASH AND CASH EQUIVALENTS, beginning of period..... 4,501 8,986 17,328
			CASH AND CASH EQUIVALENTS, end of period..... \$ 1,613 \$ 4,501 \$ 8,986
			CASH PAID FOR INTEREST..... \$
179,781	\$ 49,687	\$ 51,434	

The accompanying notes are an integral part of these combined statements.



## CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## ORGANIZATION AND BASIS OF PRESENTATION

CCA Group consists of CCA Holdings Corp. (CCA Holdings), CCT Holdings Corp. (CCT Holdings) and Charter Communications Long Beach, Inc. (CC-LB), all Delaware corporations (collectively referred to as "CCA Group" or the "Company") and their subsidiaries. The combined financial statements of each of these companies have been combined by virtue of their common ownership and management. All material intercompany transactions and balances have been eliminated.

CCA Holdings commenced operations in January 1995 in connection with consummation of the Crown Transaction (as defined below). The accompanying financial statements include the accounts of CCA Holdings; its wholly-owned subsidiary, CCA Acquisition Corp. (CAC); CAC's wholly-owned subsidiary, Cencom Cable Entertainment, Inc. (CCE); and Charter Communications Entertainment I, L.P. (CCE-I), which is controlled by CAC through its general partnership interest. Through December 23, 1998, CCA Holdings was approximately 85% owned by Kelso Investment Associates V, L.P., an investment fund, together with an affiliate (collectively referred to as "Kelso" herein) and certain other individuals and approximately 15% by Charter Communications, Inc. (Charter), manager of CCE-I's cable television systems.

CCT Holdings was formed on January 6, 1995. CCT Holdings commenced operations in September 1995 in connection with consummation of the Gaylord Transaction (as defined below). The accompanying financial statements include the accounts of CCT Holdings and Charter Communications Entertainment II, L.P. (CCE-II), which is controlled by CCT Holdings through its general partnership interest. Through December 23, 1998, CCT Holdings was owned approximately 85% by Kelso and certain other individuals and approximately 15% by Charter, manager of CCE-II's cable television systems.

In January 1995, CAC completed the acquisition of certain cable television systems from Crown Media, Inc. (Crown), a subsidiary of Hallmark Cards, Incorporated (Hallmark) (the "Crown Transaction"). On September 29, 1995, CAC and CCT Holdings entered into an Asset Exchange Agreement whereby CAC exchanged a 1% undivided interest in all of its assets for a 1.22% undivided interest in certain assets to be acquired by CCT Holdings from an affiliate of Gaylord Entertainment Company, Inc. (Gaylord). Effective September 30, 1995, CCT Holdings acquired certain cable television systems from Gaylord (the "Gaylord Transaction"). Upon execution of the Asset Purchase Agreement, CAC and CCT Holdings entered into a series of agreements to contribute the assets acquired under the Crown Transaction to CCE-I and certain assets acquired in the Gaylord acquisition to CCE-II. Collectively, CCA Holdings and CCT Holdings own 100% of CCE-I and CCE-II.

CC-LB was acquired by Kelso and Charter in May 1997. The accompanying financial statements include the accounts of CC-LB and its wholly owned subsidiary, Long Beach Acquisition Corp. (LBAC) from the date of acquisition. Through December 23, 1998, CC-LB was owned approximately 85% by Kelso and certain other individuals and approximately 15% by Charter, manager of LBAC's cable television systems.

Effective December 23, 1998, Paul G. Allen acquired 94% of Charter through a series of transactions. In conjunction with Mr. Allen's acquisition, Charter acquired 100% of the outstanding stock of CCA Holdings, CCT Holdings and CC-LB on December 23, 1998.

In 1998, CCE-I provided cable television service to customers in Connecticut, Illinois, Massachusetts, Missouri and New Hampshire, CCE-II provided cable television service to customers in California and LBAC provided cable television service to customers in Long Beach, California, and certain surrounding areas.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 1997, cash equivalents consist primarily of repurchase agreements. These investments are carried at cost that approximates market value.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installation. The costs of disconnecting a residence are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, and equipment replacement costs and betterments are capitalized.

Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

In 1997, the Company shortened the estimated useful lives of certain property, plant and equipment for depreciation purposes. As a result, additional depreciation of \$8,123 was recorded during 1997.

## FRANCHISES

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable television systems represent management's estimate of fair value and are amortized using the straight-line method over 15 years.

## OTHER ASSETS

Debt issuance costs are amortized to interest expense over the term of the related debt. The interest rate cap costs are being amortized over the terms of the agreement, which approximates three years.

## INCOME TAXES

Income taxes are recorded in accordance with SFAS No. 109, "Accounting for Income Taxes."

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. ACQUISITIONS:

In 1997, CC-LB acquired the stock of LBAC for an aggregate purchase price, net of cash acquired, of \$147,200. In connection with the completion of this acquisition, LBAC recorded \$55,900 of deferred income tax liabilities resulting from differences between the financial reporting and tax basis of certain assets acquired.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The excess of the cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was \$190,200 and is included in franchises.

In 1996, the Company acquired cable television systems in three separate transactions for an aggregate purchase price, net of cash acquired, of \$122,000. The excess of the cost of properties acquired over the amounts assigned to net tangible assets at the dates of acquisition was \$100,200 and is included in franchises.

The above acquisitions were accounted for using the purchase method of accounting, and accordingly, results of operations of the acquired assets have been included in the financial statements from the dates of the acquisitions.

Unaudited pro forma operating results for the 1997 acquisitions as though the acquisitions had been made on January 1, 1997, with pro forma adjustments to give effect to amortization of franchises, interest expense and certain other adjustments as follows:

YEAR ENDED DECEMBER 31, 1997 (UNAUDITED) -----	
Revenues.....	
	\$303,797
Income from operations.....	14,108
Net loss.....	(94,853)

The unaudited pro forma information has been presented for comparative purposes and does not purport to be indicative of the results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

## 3. RECEIVABLE FROM RELATED PARTY:

In connection with the transfer of certain assets acquired in the Gaylord Transaction to Charter Communications Properties, Inc. (CCP), Charter Communications Properties Holding Corp. (CCP Holdings), the parent of CCP and a wholly owned subsidiary of Charter, entered into a \$9,447 promissory note with CCT Holdings. The promissory note bears interest at the rates paid by CCT Holdings on the Gaylord Seller Note. Principal and interest are due on September 29, 2005. Interest income has been accrued based on an average rate of interest over the life of the Gaylord Seller Note, which approximates 15.4% and totaled \$1,899 for the period from January 1, 1998, through December 23, 1998, and \$1,806 and \$1,547 for the years ended December 31, 1997 and 1996, respectively. As of December 31, 1997, interest receivable totaled \$3,643.

## 4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1997:

Cable distribution systems.....	\$ 426,241
Land, buildings and leasehold improvements.....	15,443
Vehicles and equipment.....	24,375
	-----
	466,059
Less -- Accumulated depreciation.....	(113,199)
	-----
	\$ 352,860
	=====

Depreciation expense for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, was \$72,914, \$59,599 and \$39,575, respectively.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 5. OTHER ASSETS:

Other assets consists of the following at December 31, 1997:

Debt issuance costs.....	\$13,416
Note receivable.....	2,100
Other.....	1,342
	-----
	16,858
Less -- Accumulated amortization.....	(3,127)
	-----
	\$13,731
	=====

## 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1997:

Accrued interest.....	\$ 8,389
Franchise fees.....	6,434
Programming expenses.....	5,855
Accounts payable.....	4,734
Public education and governmental costs.....	4,059
Salaries and related benefits.....	3,977
Capital expenditures.....	3,629
Other.....	11,477
	-----
	\$48,554
	=====

## 7. LONG-TERM DEBT:

Long-term debt consists of the following at December 31, 1997:

CCE-I:	
Term loans.....	\$274,120
Fund loans.....	85,000
Revolving credit facility.....	103,800
	-----
	462,920
	-----
CCE-II:	
Term loans.....	105,000
Revolving credit facility.....	123,500
	-----
	228,500
	-----
LBAC:	
Term loans.....	85,000
Revolving credit facility.....	8,000
	-----
	93,000
	-----
Total debt.....	784,420
Less -- Current maturities.....	(25,625)
	-----
Total long-term debt.....	\$758,795
	=====

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## CCE-I CREDIT AGREEMENT

CCE-I maintains a credit agreement (the "CCE-I Credit Agreement"), which provides for a \$280,000 term loan that matures on September 30, 2006, an \$85,000 fund loan that matures on March 31, 2007, and a \$175,000 revolving credit facility with a maturity date of September 30, 2006. Amounts under the CCE-I Credit Agreement bear interest at either the LIBOR Rate or Base Rate, as defined, plus a margin of up to 2.75%. The variable interest rate ranged from 6.88% to 8.06% at December 23, 1998, and from 7.63% to 8.50% and 7.63% to 8.38% at December 31, 1997 and 1996, respectively.

Commencing June 30, 2002, and at the end of each calendar quarter thereafter, available borrowings under the revolving credit facility and the term loan shall be reduced on an annual basis by 12.0% in 2002 and 15.0% in 2003. Commencing June 30, 2002, and at the end of each calendar quarter thereafter, the available borrowings for the fund loan shall be reduced on an annual basis by 0.75% in 2002 and 1.0% in 2003. A quarterly commitment fee of between 0.375% and 0.5% per annum is payable on the unborrowed balance of the revolving credit facility.

## COMBINED CREDIT AGREEMENT

CCE-II and LBAC maintain a credit agreement (the "Combined Credit Agreement") which provides for two term loan facilities, one with the principal amount of \$100,000 that matures on March 31, 2005, and the other with the principal amount of \$90,000 that matures on March 31, 2006. The Combined Credit Agreement also provides for a \$185,000 revolving credit facility, with a maturity date of March 31, 2005. Amounts under the Combined Credit Agreement bear interest at either the LIBOR Rate or Base Rate, as defined, plus a margin of up to 2.5%. The variable interest rate ranged from 6.56% to 7.59% at December 23, 1998, and from 7.50% to 8.38% at December 31, 1997, respectively.

Commencing March 31, 2001, and at the end of each quarter thereafter, available borrowings under the revolving credit facility and one term loan shall be reduced on an annual basis by 5.0% in 2001, 15.0% in 2002 and 18.0% in 2003. Commencing in December 31, 1999, and at the end of each quarter thereafter, available borrowings under the other term loan shall be reduced on annual basis by 0.5% in 1999, 0.8% in 2000, 1.0% in 2001, 1.0% in 2002 and 1.0% in 2003. A quarterly commitment fee of between 0.25% and 0.375% per annum, based upon the intercompany indebtedness of the Company, is payable on the unborrowed balance of the revolving credit facility.

## CCE CREDIT AGREEMENT

In October 1998, Charter Communications Entertainment, L.P. (CCE L.P.), a 98% direct and indirect owner of CCE-I and CCE-II and indirectly owned subsidiary of the Company, entered into a credit agreement (the "CCE L.P. Credit Agreement") which provides for a term loan facility with the principal amount of \$130,000 that matures on September 30, 2007. Amounts under the CCE L.P. Credit Agreement bear interest at the LIBOR Rate or Base Rate, as defined, plus a margin of up to 3.25%. The variable interest rate at December 23, 1998, was 8.62%.

Commencing June 30, 2002, and the end of each calendar quarter thereafter, the available borrowings for the term loan shall be reduced on an annual basis by 0.75% in 2002 and 1.0% in 2003.

## CCE-II HOLDINGS CREDIT AGREEMENT

CCE-II Holdings, LLC (CCE-II Holdings), a wholly owned subsidiary of CCE L.P. and the parent of CCE-II, entered into a credit agreement (the "CCE-II Holdings Credit Agreement") in November 1998, which provides for a term loan facility with the principal amount of \$95,000 that matures on September 30, 2006. Amounts under the CCE-II Holdings Credit Agreement bear interest at either the LIBOR Rate or Base Rate, as defined, plus a margin of up to 3.25%. The variable rate at December 23, 1998, was 8.56%.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Commencing June 30, 2002, and at the end of each quarter thereafter, available borrowings under the revolving credit facility and one term loan shall be reduced on an annual basis by 0.5% in 2002 and 1.0% in 2003.

The credit agreements require the Company to comply with various financial and nonfinancial covenants, including the maintenance of annualized operating cash flow to fixed charge ratio, as defined, not to exceed 1.0 to 1.0. These debt instruments also contain substantial limitations on, or prohibitions of, distributions, additional indebtedness, liens asset sales and certain other items.

## 8. NOTES PAYABLE:

Notes payable consists of the following at December 31, 1997:

HC Crown Note.....	\$ 82,000
Accrued interest on HC Crown Note.....	36,919
Gaylord Seller Note.....	165,688
Accrued interest on Gaylord Seller Note.....	63,595
	-----
Total.....	\$348,202
	=====

In connection with the Crown Transaction, the Company entered into an \$82,000 senior subordinated loan agreement with a subsidiary of Hallmark, HC Crown Corp., and pursuant to such loan agreement issued a senior subordinated note (the "HC Crown Note"). The HC Crown Note was an unsecured obligation. The HC Crown Note was limited in aggregate principal amount to \$82,000 and has a stated maturity date of December 31, 1999 (the "Stated Maturity Date"). Interest has been accrued at 13% per annum, compounded semiannually, payable upon maturity. In October 1998, the Crown Note and accrued interest was paid in full.

In connection with the Gaylord Transaction, CCT Holdings entered into a \$165,700 subordinated loan agreement with Gaylord (the "Gaylord Seller Note"). Interest expense has been accrued based on an average rate of interest over the life of the Gaylord Seller Note, which approximated 15.4%.

In connection with the Gaylord Transaction, CCT Holdings, CCE L.P. and Gaylord entered into a contingent payment agreement (the "Contingent Agreement"). The Contingent Agreement indicates CCE L.P. will pay Gaylord 15% of any amount distributed to CCT Holdings in excess of the total of the Gaylord Seller Note, Crown Seller Note and \$450,000. In conjunction with the Paul G. Allen acquisition of Charter and the Company, Gaylord was paid an additional \$132,000 pursuant to the Contingent Agreement and the Gaylord Seller Note was paid in full.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS:

A summary of debt and the related interest rate hedge agreements at December 31, 1997, is as follows:

1997 -	----- CARRYING NOTIONAL	
FAIR VALUE	AMOUNT	VALUE ----- DEBT
	Debt under credit	
agreements.....	\$784,420	\$ - - -
\$784,420 HC Crown Note (including accrued		
interest).....	118,919	- - 118,587
Seller Note (including accrued interest).....		
229,283 - -	214,074	INTEREST RATE HEDGE AGREEMENTS
Swaps.....		
	- - 405,000	(1,214)
Caps.....		
	- - 120,000	- -
Collars.....		
	- - 190,000	(437)

As the long-term debt under the credit agreements bear interest at current market rates, their carrying amount approximates fair market value at December 31, 1997. Fair value of the HC Crown Note is based upon trading activity at December 31, 1997. Fair value of the Gaylord Seller Note is based on current redemption value.

The weighted average interest pay rate for the Company's interest rate swap agreements was 7.82% at December 31, 1997. The weighted average interest rate for the Company's interest rate cap agreements was 8.49% at December 31, 1997. The weighted average interest rates for the Company's interest rate collar agreements were 9.04% and 7.57% for the cap and floor components, respectively, at December 31, 1997.

The notional amounts of interest rate hedge agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of interest rate hedge agreements. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

The fair value of interest rate hedge agreements generally reflects the estimated amounts that the Company would receive or pay (excluding accrued interest) to terminate the contracts on the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotations are available for the Company's interest rate hedge agreements.

Management believes that the sellers of the interest rate hedge agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate hedge agreements are with certain of the participating banks under the Company's Senior Credit Facility thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the results of operations or the financial position of the Company.

## CCA GROUP

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 10. COMMON STOCK:

The Company's common stock consist of the following at December 31, 1997:

## CCA Holdings:

Common stock -- Class A, voting, \$.01 par value, 100,000 shares authorized; 75,515 shares issued and outstanding.....	\$ 1
Common stock -- Class B, voting, \$.01 par value, 20,000 shares authorized; 4,300 shares issued and outstanding.....	--
Common stock -- Class C, nonvoting, \$.01 par value, 5,000 shares authorized; 185 shares issued and outstanding...	--
	---
	1
	---

## CCT Holdings:

Common stock -- Class A, voting, \$.01 par value, 20,000 shares authorized; 16,726 shares issued and outstanding.....	--
Common stock -- Class B, voting, \$.01 par value, 4,000 shares authorized; 3,000 shares issued and outstanding.....	--
Common stock -- Class C, nonvoting, \$.01 par value, 1,000 shares authorized; 275 shares issued and outstanding...	--
	---

## CC-LB:

Common stock -- Class A, voting, \$.01 par value, 31,000 shares authorized, 27,850 shares issued and outstanding.....	--
Common stock -- Class B, voting, \$.01 par value, 2,000 shares authorized, 1,500 shares issued and outstanding.....	--
Common stock -- Class C, nonvoting, \$.01 par value, 2,000 shares authorized, 650 shares issued and outstanding...	--
	---
Total common stock.....	\$ 1
	===

## CCA HOLDINGS

The Class A Voting Common Stock (CCA Class A Common Stock) and Class C Nonvoting Common Stock (CCA Class C Common Stock) have certain preferential rights upon liquidation of CCA Holdings. In the event of liquidation, dissolution or "winding up" of CCA Holdings, holders of CCA Class A and Class C Common Stock are entitled to a preference of \$1,000 per share. After such amount is paid, holders of Class B Voting Common Stock (CCA Class B Common Stock) are entitled to receive \$1,000 per share. Thereafter, Class A and Class C shareholders shall ratably receive the remaining proceeds.

If upon liquidation, dissolution or "winding up" the assets of CCA Holdings are insufficient to permit payment to Class A and Class C shareholders for their full preferential amounts, all assets of CCA Holdings shall then be distributed ratably to Class A and Class C shareholders. Furthermore, if the proceeds from liquidation are inadequate to pay Class B shareholders their full preferential amounts, the proceeds are to be distributed on a pro rata basis to Class B shareholders.

Upon the occurrence of any Conversion Event (as defined within the Amended and Restated Certificate of Incorporation) Class C shareholders may convert any or all of their outstanding shares into the same number of Class A shares. Furthermore, CCA Holdings may automatically convert outstanding Class C shares into the same number of Class A shares.

CCA Holdings is restricted from making cash dividends on its common stock until the balance outstanding under the HC Crown Note is repaid.



## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Charter and Kelso entered into a Stockholders' Agreement providing for certain restrictions on the transfer, sale or purchase of CCA Holdings' common stock.

## CCT HOLDINGS

The Class A Voting Common Stock (CCT Class A Common Stock) and Class C Nonvoting Common Stock (CCT Class C Common Stock) have certain preferential rights upon liquidation of CCT Holdings. In the event of liquidation, dissolution or "winding up" of CCT Holdings, holders of CCT Class A Common Stock and Class C Common Stock are entitled to a preference of \$1,000 per share. After such amount is paid, holders of Class B Voting Common Stock (CCT Class B Common Stock) are entitled to receive \$1,000 per share. Thereafter, Class A and Class C shareholders shall ratably receive the remaining proceeds.

If upon liquidation, dissolution or "winding up" the assets of CCT Holdings are insufficient to permit payment to Class A Common Stock and Class C shareholders for their full preferential amount, all assets of the Company shall then be distributed ratably to Class A and Class C shareholders. Furthermore, if the proceeds from liquidation are inadequate to pay Class B shareholders their full preferential amount, the proceeds are to be distributed on a pro rata basis to Class B shareholders.

Upon the occurrence of any Conversion Event (as defined within the Amended and Restated Certificate of Incorporation), Class C shareholders may convert any or all of their outstanding shares into the same number of Class A shares. Furthermore, CCT Holdings may automatically convert outstanding Class C shares into the same number of Class A shares.

CCT Holdings is restricted from making cash dividends on its common stock until the balance outstanding under the note payable to seller is repaid.

Charter and Kelso entered into a Stockholders' Agreement providing for certain restrictions on the transfer, sale or purchase of CCT Holdings' common stock.

## CC-LB

The Class A Voting Common Stock (CC-LB Class A Common Stock) and Class C Nonvoting Common Stock (CC-LB Class C Common Stock) have certain preferential rights upon liquidation of CC-LB. In the event of liquidation, dissolution or "winding up" of CC-LB, holders of CC-LB Class A Common Stock and Class C Common Stock are entitled to a preference of \$1,000 per share. After such amount is paid, holders of Class B Voting Common Stock (CC-LB Class B Common Stock) are entitled to receive \$1,000 per share. Thereafter, Class A, Class B and Class C shareholders shall ratably receive the remaining proceeds.

If upon liquidation, dissolution or "winding up" the assets of CC-LB are insufficient to permit payment to Class A and Class C shareholders for their full preferential amount, all assets of the Company shall then be distributed ratably to Class A and Class C shareholders. Furthermore, if the proceeds from liquidation are inadequate to pay Class B shareholders their full preferential amount, the proceeds are to be distributed on a pro rata basis to Class B shareholders.

CC-LB Class C Common Stock may be converted into CC-LB Class A Common Stock upon the transfer of CC-LB Class C Common Stock to a person not affiliated with the seller. Furthermore, CC-LB may automatically convert outstanding Class C shares into the same number of Class A shares.

## 11. RELATED PARTY TRANSACTIONS:

Charter provides management services to the Company under the terms of a contract which provides for annual base fees equal to \$9,277 and \$9,485 for the period from January 1, 1998, through December 23, 1998, and for the year ended December 31, 1997, respectively, plus an additional fee equal to 30% of the excess, if any, of operating cash flow (as defined in the management agreement) over the projected operating cash flow. Payment of the additional fee is deferred due to restrictions provided within the Company's credit agreements. Deferred management fees bear interest at 8.0% per annum. The additional fees for the periods from

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

January 1, 1998, through December 23, 1998, and the years ended December 31, 1997 and 1996, totaled \$2,160, \$1,990 and \$1,255, respectively. In addition, the Company receives financial advisory services from an affiliate of Kelso, under terms of a contract which provides for fees equal to \$1,064 and \$1,113 per annum as of January 1, 1998, through December 23, 1998, and December 31, 1997, respectively. Management and financial advisory service fees currently payable of \$2,281 are included in payables to manager of cable television systems -- related party at December 31, 1997.

The Company pays certain acquisition advisory fees to an affiliate of Kelso and Charter, which typically equal approximately 1% of the total purchase price paid for cable television systems acquired. Total acquisition fees paid to the affiliate of Kelso for the period from January 1, 1998, through December 23, 1998, were \$-0-. Total acquisition fees paid to the affiliate of Kelso in 1997 and 1996 were \$-0- and \$1,400, respectively. Total acquisition fees paid to Charter for the period from January 1, 1998, through December 23, 1998, were \$-0-. Total acquisition fees paid to Charter in 1997 and 1996 were \$-0- and \$1,400, respectively.

The Company and all entities managed by Charter collectively utilize a combination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Medical coverage provides for \$2,435 aggregate stop loss protection and a loss limitation of \$100 per person per year. Workers' compensation coverage provides for \$800 aggregate stop loss protection and a loss limitation of \$150 per person per year. Charges are determined by independent actuaries at the present value of the actuarially computed present and future liabilities for such benefits. The Company is allocated its share of the charges monthly based upon its total number of employees, historical claims and medical cost trend rates. Management considers this allocation to be reasonable for the operations of the Company. For the period from January 1, 1998, through December 23, 1998, the Company expensed \$1,950 relating to insurance allocations. During 1997 and 1996, the Company expensed \$1,689 and \$2,065, respectively, relating to insurance allocations.

Beginning in 1996, the Company and other entities managed by Charter employed the services of Charter's National Data Center (the "National Data Center"). The National Data Center performs certain customer billing services and provides computer network, hardware and software support to the Company and other affiliated entities. The cost of these services is allocated based on the number of customers. Management considers this allocation to be reasonable for the operations of the Company. For the period from January 1, 1998, through December 23, 1998, the Company expensed \$843 relating to these services. During 1997 and 1996, the Company expensed \$723 and \$466 relating to these services, respectively.

CCE-I maintains a regional office. The regional office performs certain operational services on behalf of CCE-I and other affiliated entities. The cost of these services is allocated to CCE-I and affiliated entities based on their number of customers. Management considers this allocation to be reasonable for the operations of CCE-I. From the period January 1, 1998, through December 23, 1998, the Company expensed \$1,926 relating to these services. During 1997 and 1996, CCE-I expensed \$861 and \$799, respectively, relating to these services.

## 12. COMMITMENTS AND CONTINGENCIES:

### LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Lease and rental costs charged to expense for the period from January 1, 1998, through December 23, 1998, was \$2,222. Rent expense incurred under these leases during 1997 and 1996 was \$1,956 and \$1,704, respectively.

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expensed incurred for pole attachments for the period from January 1, 1998, through December 23, 1998, was \$2,430. Rent expense incurred for pole attachments during 1997 and 1996 was \$2,601 and \$2,330, respectively.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## LITIGATION

The Company is a party to lawsuits that arose in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## 13. REGULATION IN THE CABLE TELEVISION INDUSTRY:

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 23, 1998, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Company.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation. The Company is subject to state regulation in Connecticut.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 14. INCOME TAXES:

Deferred tax assets and liabilities are recognized for the estimated future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred income tax expense or benefit is the result of changes in the liability or asset recorded for deferred taxes. A valuation allowance must be established for any portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

For the period from January 1, 1998, through December 23, 1998, and the years ended December 31, 1997 and 1996, no current provision (benefit) for income taxes was recorded. The effective income tax rate is less than the federal rate of 35% primarily due to providing a valuation allowance on deferred income tax assets.

Deferred taxes are comprised of the following at December 31, 1997:

## Deferred income tax assets:

Accounts receivable.....	\$	252
Other assets.....		7,607
Accrued expenses.....		4,740
Deferred revenue.....		624
Deferred management fees.....		1,654
Tax loss carryforwards.....		80,681
Tax credit carryforward.....		1,360
Valuation allowance.....		(40,795)
		-----
Total deferred income tax assets.....		56,123
		-----

## Deferred income tax liabilities:

Property, plant and equipment.....		(38,555)
Franchise costs.....		(117,524)
Other.....		(11,407)
		-----
Total deferred income tax liabilities.....		(167,486)
		-----
Net deferred income tax liability.....	\$	(111,363)
		=====

At December 31, 1997, the Company had net operating loss (NOL) carryforwards for regular income tax purposes aggregating \$204,400, which expire in various years from 1999 through 2012. Utilization of the NOLs carryforwards is subject to certain limitations.

## 15. EMPLOYEE BENEFIT PLANS:

The Company's employees may participate in the Charter Communications, Inc. 401(k) Plan (the "401(k) Plan"). Employees that qualify for participation can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company contributes an amount equal to 50% of the first 5% of contributions by each employee. For the period from January 1, 1998, through December 23, 1998, the Company contributed \$585 to the 401(k) plan. During 1997 and 1996, the Company contributed approximately \$499 and \$435 to the 401(k) Plan, respectively.

Certain employees of the Company are participants in the 1996 Charter Communications/Kelso Group Appreciation Rights Plan (the "Plan"). The Plan covers certain key employees and consultants within the

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

group of companies and partnerships controlled by affiliates of Kelso and managed by Charter. The Plan permits the granting of up to 1,000,000 units, of which 705,000 were outstanding at December 31, 1997. Unless otherwise provided in a particular instance, units vest at a rate of 20% per annum. The Plan entitles participants to receive payment of the appreciated unit value for vested units, upon the occurrence of certain events specified in the Plan (i.e. change in control, employee termination) The units do not represent a right to an equity interest to any entities within the CCA Group. Compensation expense is based on the appreciated unit value and is amortized over the vesting period.

As a result of the acquisition of Charter and the Company, the Plan was terminated, all outstanding units became 100% vested and all amounts were paid by Charter in 1999. For the period from January 1, 1998, through December 23, 1998, the Company recorded \$5,684 of expense, included in management fees, and a contribution from Charter related to the Appreciation Rights Plan.

16. ACCOUNTING STANDARD NOT YET IMPLEMENTED:

In June 1998, the Financial Accounting Standards Board adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. The Company has not yet quantified the impacts of adopting SFAS No. 133 on its consolidated financial statements nor has it determined the timing or method of its adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility in earnings (loss).

17. SUBSEQUENT EVENT:

Subsequent to December 23, 1998, CCA Holdings, CCT Holdings and CC-LB converted to limited liability companies and are now known as CCA Holdings LLC, CCT Holdings LLC and Charter Communications Long Beach, LLC, respectively.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CharterComm Holdings, L.P.:

We have audited the accompanying consolidated balance sheet of CharterComm Holdings, L.P. and subsidiaries as of December 31, 1997, and the related consolidated statements of operations, partners' capital and cash flows for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CharterComm Holdings, L.P. and subsidiaries as of December 31, 1997, and the results of their operations and their cash flows for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 5, 1999

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET -- DECEMBER 31, 1997  
(DOLLARS IN THOUSANDS)

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents.....	\$ 2,742
Accounts receivable, net of allowance for doubtful accounts of \$330.....	3,158
Prepaid expenses and other.....	342
	-----
Total current assets.....	6,242
	-----
INVESTMENT IN CABLE TELEVISION PROPERTIES:	
Property, plant and equipment.....	235,808
Franchises, net of accumulated amortization of \$119,968...	480,201
	-----
	716,009
	-----
OTHER ASSETS.....	16,176
	-----
	\$738,427
	=====

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:	
Current maturities of long-term debt.....	\$ 5,375
Accounts payable and accrued expenses.....	30,507
Payables to manager of cable television systems -- related party.....	1,120
	-----
Total current liabilities.....	37,002
	-----
DEFERRED REVENUE.....	1,719
	-----
LONG-TERM DEBT, less current maturities.....	666,662
	-----
DEFERRED MANAGEMENT FEES.....	7,805
	-----
DEFERRED INCOME TAXES.....	5,111
	-----
REDEEMABLE PREFERRED LIMITED UNITS -- 577.81 units, issued and outstanding.....	20,128
	-----
PARTNERS' CAPITAL:	
General Partner.....	--
Common Limited Partners -- 220.24 units issued and outstanding.....	--
	-----
Total partners' capital.....	--
	-----
	\$738,427
	=====

The accompanying notes are an integral part of these consolidated statements.





CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL  
(DOLLARS IN THOUSANDS)

COMMON GENERAL LIMITED PARTNER PARTNERS TOTAL --	
-----	BALANCE, December 31,
1995.....	\$ 29,396
	2,202 \$ 31,598 Capital
contributions.....	
	30,703 2,300 33,003 Allocation of net
loss.....	(38,391)
	(2,876) (41,267) -----
	BALANCE, December 31,
1996.....	21,708
	1,626 23,334 Capital
contributions.....	
	-- 33,470 33,470 Allocation of net
loss.....	(21,708)
	(35,096) (56,804) -----
	BALANCE, December 31,
1997.....	-----
	Capital
contributions.....	
	4,920 - - 4,920 Allocation of net
loss.....	(56,992)
	- - (56,992) -----
	BALANCE, December 23,
1998.....	\$(52,072)
	\$ - - \$(52,072) =====

The accompanying notes are an integral part of these consolidated statements.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

PERIOD FROM JANUARY 1, 1998, THROUGH YEAR ENDED  
DECEMBER 31, DECEMBER 23, - -----  
1998 1997 1996 ----- CASH FLOWS

FROM OPERATING ACTIVITIES: Net

Loss.....			
\$ (77,120) \$ (59,357) \$ (40,420) Adjustments to reconcile net loss to net cash provided by operating activities -- Extraordinary item -- Loss on early retirement of			
debt.....	6,264	--	--
Depreciation and			
amortization.....	86,741	76,535	
53,133 Amortization of debt issuance costs, debt discount and interest rate cap			
agreements.....	14,563	14,212	
9,564 Loss on disposal of property, plant and equipment.....	1,714	203	367
Changes in assets and liabilities, net of effects from acquisition --			
Accounts receivable, net.....	2,000	369	(303)
Prepaid expenses and other.....	(203)	943	245
Accounts payable and accrued expenses.....			
(1,970) 3,988 9,911 Payables to manager of cable television systems, including deferred management fees.....	9,456	3,207	3,479
Deferred revenue.....	770	(82)	
452 Other operating			
activities.....	5,378	--	--
----- Net cash provided by operating activities.....	47,593	40,018	36,428
----- CASH FLOWS FROM			
INVESTING ACTIVITIES: Purchases of property, plant and equipment.....	(85,044)	(72,178)	
(48,324) Payments for acquisitions, net of cash acquired.....	(5,900)	(159,563)	(145,366)
Other investing activities.....	5,280	1,577	(2,089)
----- Net cash used in investing activities.....	(85,664)	(230,164)	
(195,779) ----- CASH FLOWS			
FROM FINANCING ACTIVITIES: Borrowings of long-term debt.....	547,400	231,250	
260,576 Repayments of long-term debt.....	(505,300)	(67,930)	
(34,401) Partners' capital contributions.....	--	29,800	--
Payment of debt issuance costs.....	(3,651)	(3,593)	
(11,732) Payment of Special Limited Partnership units.....	--	--	(43,243)
Repayments of note payable -- related party.....	--	--	
(15,000) Payments for interest rate cap agreements.....	--	--	(35)
----- Net cash provided by financing activities.....	38,449	189,527	156,165
----- NET INCREASE (DECREASE)			
IN CASH AND CASH EQUIVALENTS.....	378	(619)	
(3,186) CASH AND CASH EQUIVALENTS, beginning of period.....	2,742	3,361	6,547
----- CASH AND CASH EQUIVALENTS, end of period.....	\$ 3,120	\$ 2,742	\$ 3,361
===== CASH PAID FOR INTEREST.....	\$		
61,559 \$ 42,538 \$ 28,860 =====			

The accompanying notes are an integral part of these consolidated statements.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION

CharterComm Holdings, L.P. (CharterComm Holdings) was formed in March 1996 with the contributions of Charter Communications Southeast Holdings, L.P. (Southeast Holdings), Charter Communications, L.P. (CC-I) and Charter Communications II, L.P. (CC-II). This contribution was accounted for as a reorganization under common control and, accordingly, the consolidated financial statements and notes have been restated to include the results and financial position of Southeast Holdings, CC-I and CC-II.

Through December 23, 1998, CharterComm Holdings was owned 75.3% by affiliates of Charterhouse Group International, Inc., a privately owned investment firm (collectively referred to herein as "Charterhouse"), indirectly owned 5.7% by Charter Communications, Inc. (Charter), manager of the Partnership's (as defined below) cable television systems, and owned 19.0% primarily by other institutional investors.

Effective December 23, 1998, Paul G. Allen acquired 94% of Charter through a series of transactions. In conjunction with Mr. Allen's acquisition, Charter acquired 100% of the outstanding partnership interests in CharterComm Holdings on December 23, 1998.

The accompanying consolidated financial statements include the accounts of CharterComm Holdings and its subsidiaries collectively referred to as the "Partnership" herein. All significant intercompany balances and transactions have been eliminated in consolidation.

In 1998, the Partnership through its subsidiaries provided cable television service to customers in Alabama, Georgia, Kentucky, Louisiana, North Carolina, South Carolina and Tennessee.

CASH EQUIVALENTS

The Partnership considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 1997, cash equivalents consist primarily of repurchase agreements. These investments are carried at cost that approximates market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installation. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, and equipment replacement and betterments are capitalized.

Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

In 1997, the Partnership shortened the estimated useful lives of certain property, plant and equipment for depreciation purposes. As a result, an additional \$4,775 of depreciation was recorded during 1997.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## FRANCHISES

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable television systems represent management's estimate of fair value and are generally amortized using the straight-line method over a period of 15 years. In addition, approximately \$100,000 of franchise rights are being amortized over a period of 3 to 11 years.

## OTHER ASSETS

Debt issuance costs are being amortized to interest expense over the term of the related debt. The interest rate cap costs are being amortized over the terms of the agreement, which approximates three years.

## IMPAIRMENT OF ASSETS

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable television system. As of December 31, 1997, no installation revenue has been deferred, as direct selling costs exceeded installation revenue.

Fees collected from programmers to guarantee carriage are deferred and amortized to income over the life of the contracts. Local governmental authorities impose franchise fees on the Partnership ranging up to a federally mandated maximum of 5.0% of gross revenues. On a monthly basis, such fees are collected from the Partnership's customers and are periodically remitted to local franchises. Franchise fees collected and paid are reported as revenue.

## INTEREST RATE HEDGE AGREEMENTS

The Partnership manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain debt agreements. Interest rate swaps, caps and collars are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

The Partnership's interest rate swap agreements require the Partnership to pay a fixed rate and receive a floating rate thereby creating fixed rate debt. Interest rate caps and collars are entered into by the Partnership to reduce the impact of rising interest rates on floating rate debt.

The Partnership's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designed for hedging purposes and are not held or issued for speculative purposes.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OTHER INCOME (EXPENSE)

Other, net includes gain and loss on disposition of property, plant and equipment, and other miscellaneous items, all of which are not directly related to the Partnership's primary line of business. In 1996, the Partnership recorded \$367 of nonoperating losses for its portion of insurance deductibles pertaining to damage caused by hurricanes to certain cable television systems.

INCOME TAXES

Income taxes are the responsibility of the partners and are not provided for in the accompanying financial statements except for Peachtree Cable TV, Inc. (Peachtree), an indirect wholly owned subsidiary, which is a C corporation and for which taxes are presented in accordance with SFAS No. 109.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ACQUISITIONS:

In 1998, the Partnership acquired cable television systems in one transaction for a purchase price net of cash acquired, of \$5,900. The excess cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was \$5,000 and is included in franchises.

In 1997, the Partnership acquired cable television systems in three separate transactions for an aggregate purchase price, net of cash acquired, of \$159,600. The excess of the cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was \$126,400 and is included in franchises.

In 1996, the Partnership acquired cable television systems in three separate transactions for an aggregate purchase price, net of cash acquired, of \$145,400. The excess of the cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was \$118,200 and is included in franchises.

The above acquisitions were accounted for using the purchase method of accounting, and accordingly, results of operations of the acquired assets have been included in the financial statements from the dates of acquisition.

Unaudited pro forma operating results for the 1997 acquisitions as though the acquisitions had been made on January 1, 1997, with pro forma adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows.

YEAR ENDED DECEMBER 31, 1997 ----- (UNAUDITED)	
Revenues.....	
\$182,770	Income from
operations.....	2,608
loss.....	Net
(61,389)	loss

The unaudited pro forma information does not purport to be indicative of the results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. DISTRIBUTIONS AND ALLOCATIONS:

For financial reporting purposes, redemption preference allocations, profits and losses are allocated to partners in accordance with the liquidation provision of the applicable partnership agreement.

As stated in the Partnership Agreement, the Partnership may make distributions to the partners out of all available funds at such times and in such amounts as the General Partner may determine in its sole discretion.

4. REDEEMABLE PREFERRED LIMITED UNITS:

As of December 31, 1995, certain Redeemable Preferred Limited Partner units of CC-I and CC-II were outstanding. During 1996, the Partnership issued certain Redeemable Preferred Limited Partner units of CharterComm Holdings.

The Preferred Limited Partners' preference return has been reflected as an addition to the Redeemable Preferred Limited Partner units, and the decrease has been allocated to the General Partner and Common Limited Partner consistent with the liquidation and distribution provisions in the partnership agreements.

At December 23, 1998, the balance related to the CharterComm Holdings Preferred Limited Partner units was as follows:

Contribution, March 1996.....	\$ 20,052
1996 redemption preference allocation.....	2,629
Allocation of net loss.....	--
	-----
Balance, December 31, 1996.....	22,681
1997 redemption preference allocation.....	--
Allocation of net loss.....	(2,553)
	-----
Balance, December 31, 1997.....	20,128
1998 redemption preference allocation.....	--
Allocation of net loss.....	(20,128)
	-----
Balance, December 23, 1998.....	\$ --
	=====

The 1998 and 1997 redemption preference allocations of \$4,617 and \$4,020, respectively, have not been reflected in the Preferred Limited Partners' capital accounts since the General Partner and Common Limited Partners' capital accounts have been reduced to \$-0-.

5. SPECIAL LIMITED PARTNER UNITS (CC-I):

Prior to March 28, 1996, certain Special Limited Partner units of CC-I were outstanding. CC-I's profits were allocated to the Special Limited Partners until allocated profits equaled the unrecovered preference amount (preference amounts range from 6% to 17.5% of the unrecovered initial cost of the partnership units and unrecovered preference amounts per annum). When there was no profit to allocate, the preference return was reflected as a decrease in Partners' Capital.

In accordance with a purchase agreement and through the use of a capital contribution from Charter Communications Southeast, L.P. (Southeast), a wholly owned subsidiary of Southeast Holdings, resulting from the proceeds of the Notes (see Note 9), CC-I paid the Special Limited Partners \$43,243 as full consideration for their partnership interests on March 28, 1996.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1997:

Cable distribution systems.....	\$274,837
Land, buildings and leasehold improvements.....	5,439
Vehicles and equipment.....	14,669
	-----
	294,945
Less -- Accumulated depreciation.....	(59,137)
	-----
	\$235,808
	=====

Depreciation expense for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, was \$44,307, \$33,634 and \$16,997, respectively.

7. OTHER ASSETS:

Other assets consist of the following at December 31, 1997:

Debt issuance costs.....	\$18,385
Other assets.....	3,549
	-----
	21,934
Less -- Accumulated amortization.....	(5,758)
	-----
	\$16,176
	=====

As a result of the payment and termination of the CC-I Credit Agreement and CC-II Credit Agreement (see Note 9), debt issuance costs of \$6,264 were written off as an extraordinary loss on early retirement of debt for the period from January 1, 1998, through December 23, 1998.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1997:

Accrued interest.....	\$ 9,804
Franchise fees.....	3,524
Programming costs.....	3,391
Accounts payable.....	2,479
Capital expenditures.....	2,099
Salaries and related benefits.....	2,079
Other.....	7,131
	-----
	\$30,507
	=====

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. LONG-TERM DEBT:

Long-term debt consists of the following at December 31, 1997:

Senior Secured Discount Debentures.....	\$146,820
11 1/4% Senior Notes.....	125,000
Credit Agreements:	
CC-I.....	112,200
CC-II.....	339,500
	-----
	723,520
Less:	
Current maturities.....	(5,375)
Unamortized discount.....	(51,483)
	-----
	\$666,662
	=====

SENIOR SECURED DISCOUNT DEBENTURES

On March 28, 1996, Southeast Holdings and CharterComm Holdings Capital Corporation (Holdings Capital), a wholly owned subsidiary of Southeast Holdings (collectively the "Debentures Issuers"), issued \$146,820 of Senior Secured Discount Debentures (the "Debentures") for proceeds of \$75,000. Proceeds from the Debentures were used to pay fees and expenses related to the issuance of the Debentures and the balance of \$72,400 was a capital contribution to Southeast. The Debentures are secured by all of Southeast Holdings' ownership interest in Southeast and rank pari passu in right and priority of payment to all other existing and future indebtedness of the Debentures Issuers. The Debentures are effectively subordinated to the claims of creditors of Southeast Holdings' subsidiaries, including the Combined Credit Agreement (as defined herein). The Debentures are redeemable at the Debentures Issuers' option at amounts decreasing from 107% to 100% of principal, plus accrued and unpaid interest to the redemption date, beginning on March 15, 2001. The Debentures Issuers are required to make an offer to purchase all of the Debentures, at a purchase price equal to 101% of the principal amount, together with accrued and unpaid interest, upon a Change in Control, as defined in the Debentures Indenture. No interest is payable on the Debentures prior to March 15, 2001. Thereafter, interest on the Debentures is payable semiannually in arrears beginning September 15, 2001, until maturity on March 15, 2007. The discount on the Debentures is being accreted using the effective interest method at an interest rate of 14% from the date of issuance to March 15, 2001.

11 1/4% SENIOR NOTES

Southeast and CharterComm Capital Corporation (Southeast Capital), a wholly owned subsidiary of Southeast (collectively the "Notes Issuers"), issued \$125,000 aggregate principal amount of 11 1/4% Senior Notes (the "Notes"). The Notes are senior unsecured obligations of the Notes Issuers and rank pari passu in right and priority of payment to all other existing and future indebtedness of the Notes Issuers. The Notes are effectively subordinated to the claims of creditors of Southeast's subsidiaries, including the lenders under the Combined Credit Agreement. The Notes are redeemable at the Notes Issuers' option at amounts decreasing from 105.625% to 100% of principal, plus accrued and unpaid interest to the date of redemption, beginning on March 15, 2001. The Notes Issuers are required to make an offer to purchase all of the Notes, at a purchase price equal to 101% of the principal amount, together with accrued and unpaid interest, upon a Change in Control, as defined in the Notes Indenture. Interest is payable semiannually on March 15 and September 15 until maturity on March 15, 2006.

Southeast and Southeast Holdings are holding companies with no significant assets other than their direct and indirect investments in CC-I and CC-II. Southeast Capital and Holdings Capital were formed solely for



CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the purpose of serving as co-issuers and have no operations. Accordingly, the Notes Issuers and Debentures Issuers must rely upon distributions from CC-I and CC-II to generate funds necessary to meet their obligations, including the payment of principal and interest on the Notes and Debentures.

## COMBINED CREDIT AGREEMENT

In June 1998, CC-I and CC-II (the "Borrowers") replaced their existing credit agreements and entered into a combined credit agreement (the "Combined Credit Agreement"), which provides for two term loan facilities, one with the principal amount of \$200,000 that matures on June 30, 2007, and the other with the principal amount of \$150,000 that matures on December 31, 2007. The Combined Credit Agreement also provides for a \$290,000 revolving credit facility, with a maturity date of June 30, 2007. Amounts under the Combined Credit Agreement bear interest at the LIBOR Rate or Base Rate, as defined, plus a margin of up to 2.0%. The variable interest rates ranged from 6.69% to 7.31% at December 23, 1998.

Commencing March 31, 2002, and at the end of each calendar quarter thereafter, the available borrowings for the revolving credit facility and the \$200,000 term loan shall be reduced on an annual basis by 11.0% in 2002 and 14.6% in 2003. Commencing March 31, 2002, and at the end of each calendar quarter thereafter, the available borrowings for the \$150,000 term loan shall be reduced on an annual basis by 1.0% in 2002 and 1.0% in 2003. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving credit facility.

The Debentures, Notes and Combined Credit Agreement require the Partnership to comply with various financial and nonfinancial covenants including the maintenance of a ratio of debt to annualized operating cash flow, as defined, not to exceed 5.25 to 1 at December 23, 1998. These debt instruments also contain substantial limitations on, or prohibitions of, distributions, additional indebtedness, liens, asset sales and certain other items.

## CC-I CREDIT AGREEMENT

CC-I maintained a credit agreement (the "CC-I Credit Agreement") with a consortium of banks for borrowings up to \$127,200, consisting of a revolving line of credit of \$63,600 and a term loan of \$63,600. Interest accrued, at CC-I's option, at rates based upon the Base Rate, as defined in the CC-I Credit Agreement, LIBOR, or prevailing bid rates of certificates of deposit plus the applicable margin based upon CC-I's leverage ratio at the time of the borrowings. The variable interest rates ranged from 7.75% to 8.00% and 7.44% to 7.50% at December 31, 1997 and 1996, respectively.

In June 1998, the CC-I Credit Agreement was repaid and terminated in conjunction with the establishment of the Combined Credit Agreement.

## CC-II CREDIT AGREEMENT

CC-II maintained a credit agreement (the "CC-II Credit Agreement") with a consortium of banks for borrowings up to \$390,000, consisting of a revolving credit facility of \$215,000, and two term loans totaling \$175,000. Interest accrued, at CC-II's option, at rates based upon the Base Rate, as defined in the CC-II Credit Agreement, LIBOR, or prevailing bid rates of certificates of deposit plus the applicable margin based upon CC-II's leverage ratio at the time of the borrowings. The variable interest rates ranged from 7.63% to 8.25% and 7.25% to 8.125% at December 31, 1997 and 1996, respectively.

In June 1998, the CC-II Credit Agreement was repaid and terminated in conjunction with the establishment of the Combined Credit Agreement.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS:

A summary of debt and the related interest rate hedge agreements at December 31, 1997, is as follows:

CARRYING NOTIONAL FAIR VALUE AMOUNT VALUE -----		
-- ----- - ----- DEBT Senior Secured Discount		
Debentures.....	\$ 95,337	\$ --
\$115,254 11 1/4% Senior		
Notes.....	125,000	--
136,875 CC-I Credit		
Agreement.....	112,200	
-- 112,200 CC-II Credit		
Agreement.....	339,500	-
- 339,500 INTEREST RATE HEDGE AGREEMENTS CC-I:		
Swaps.....		
-- 100,000 (797) CC-II:		
Swaps.....		
-- 170,000 (1,030)		
Caps.....		
-- 70,000 --		
Collars.....		
-- 55,000 (166)		

As the CC-I and CC-II Credit Agreements bear interest at current market rates, their carrying amounts approximate fair market values at December 31, 1997. The fair value of the Notes and the Debentures is based on current redemption value.

The weighted average interest pay rate for CC-I interest rate swap agreements was 8.07% at December 31, 1997.

The weighted average interest pay rate for CC-II interest rate swap agreements was 8.03% at December 31, 1997. The weighted average interest rate for CC-II interest cap agreements was 8.48% at December 31, 1997. The weighted average interest rates for CC-II interest rate collar agreements were 9.01% and 7.61% for the cap and floor components, respectively, at December 31, 1997.

The notional amounts of interest rate hedge agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the Partnership's exposure through its use of interest rate hedge agreements. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

The fair value of interest rate hedge agreements generally reflects the estimated amounts that the Partnership would receive or pay (excluding accrued interest) to terminate the contracts on the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotations are available for the Partnership's interest rate hedge agreements.

Management believes that the sellers of the interest rate hedge agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate hedge agreements are with certain of the participating banks under the Partnership's credit facilities thereby reducing the exposure to credit loss. The Partnership has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the results of operations or the financial position of the Partnership.

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. INCOME TAXES:

The book value of the Partnership's net assets (excluding Peachtree) exceeds its tax reporting basis by \$2,919 as of December 31, 1997.

As of December 31, 1997, temporary differences and carryforwards that gave rise to deferred income tax assets and liabilities for Peachtree are as follows:

Deferred income tax assets:	
Accounts receivable.....	\$ 4
Accrued expenses.....	29
Deferred management fees.....	111
Deferred revenue.....	24
Tax loss carryforwards.....	294
Tax credit carryforwards.....	361
	-----
Total deferred income tax assets.....	823
	-----
Deferred income tax liabilities:	
Property, plant and equipment.....	(1,372)
Franchises and other assets.....	(4,562)
	-----
Total deferred income tax liabilities.....	(5,934)
	-----
Net deferred income tax liability.....	\$(5,111)
	=====

12. RELATED PARTY TRANSACTIONS:

Charter provides management services to the Partnership under the terms of contracts which provide for fees equal to 5% of the Partnership's gross service revenues. The debt agreements prohibit payment of a portion of such management fees (40% for both CC-I and CC-II) until repayment in full of the outstanding indebtedness. The remaining 60% of management fees, are paid quarterly through December 31, 1998. Thereafter, the entire fee may be deferred if a multiple of EBITDA, as defined, does not exceed outstanding indebtedness of CC-I and CC-II. In addition, payments due on the Notes and Debentures shall be paid before any deferred management fees are paid. Expenses recognized under the contracts for the period from January 1, 1998, through December 23, 1998, were \$9,860. Expenses recognized under the contracts during 1997 and 1996 were \$8,779 and \$6,014, respectively. Management fees currently payable of \$1,432 are included in payables to manager of cable television systems -- related party at December 31, 1997.

The Partnership and all entities managed by Charter collectively utilize a combination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Medical coverage provides for \$2,435 aggregate stop loss protection and a loss limitation of \$100 per person per year. Workers' compensation coverage provides for \$800 aggregate stop loss protection and a loss limitation of \$150 per person per year. Charges are determined by independent actuaries at the present value of the actuarially computed present and future liabilities for such benefits. The Partnership is allocated its share of the charges monthly based upon its total number of employees, historical claims and medical cost trend rates. Management considers this allocation to be reasonable for the operations of the Partnership. For the period from January 1, 1998, through December 23, 1998, the Partnership expensed \$1,831 relating to insurance allocations. During 1997 and 1996, the Partnership expensed \$1,524 and \$1,136, respectively, relating to insurance allocations.

The Partnership employs the services of Charter's National Data Center (the "National Data Center"). The National Data Center performs certain customer billing services and provides computer network,

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

hardware and software support for the Partnership and other entities managed by Charter. The cost of these services is allocated based on the number of basic customers. Management considers this allocation to be reasonable for the operations of the Partnership. For the period from January 1, 1998, through December 23, 1998, the Partnership expensed \$685 relating to these services. During 1997 and 1996, the Partnership expensed \$606 and \$345, respectively, relating to these services.

CC-I, CC-II and other entities managed by Charter maintain regional offices. The regional offices perform certain operational services. The cost of these services is allocated based on number of basic customers. Management considers this allocation to be reasonable for the operations of the Partnership. For the period from January 1, 1998, through December 23, 1998, the Partnership expensed \$3,009 relating to these services. During 1997 and 1996, the Partnership expensed \$1,992 and \$1,294, respectively, relating to these services.

The Partnership pays certain acquisition advisory fees to Charter and Charterhouse for cable television systems acquired. Total acquisition fees paid to Charter for the period from January 1, 1998, through December 23, 1998, were \$-0-. Total acquisition fees paid to Charter in 1997 and 1996 were \$982 and \$1,738, respectively. Total acquisition fees paid to Charterhouse for the period from January 1, 1998, through December 23, 1998, were \$-0-. Total acquisition fees paid to Charterhouse in 1997 and 1996 were \$982 and \$1,738, respectively.

During 1997, the ownership of CharterComm Holdings changed as a result of CharterComm Holdings receiving a \$25,000 cash contribution from an institutional investor, a \$3,000 cash contribution from Charterhouse and a \$2,000 cash contribution from Charter, as well as the transfer of assets and liabilities of a cable television system through a series of transactions initiated by Charter and Charterhouse. Costs of \$200 were incurred in connection with the cash contributions. These contributions were contributed to Southeast Holdings which, in turn, contributed them to Southeast.

## 13. COMMITMENTS AND CONTINGENCIES:

## LEASES

The Partnership leases certain facilities and equipment under noncancelable operating leases. Lease and rental costs charged to expense for the period from January 1, 1998, through December 23, 1998, was \$642. Rent expense incurred under leases during 1997 and 1996 was \$615 and \$522, respectively.

The Partnership also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Partnership anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the period from January 1, 1998, through December 23, 1998, was \$3,261. Rent expense incurred for pole attachments during 1997 and 1996 was \$2,930 and \$2,092, respectively.

## LITIGATION

The Partnership is a party to lawsuits that arose in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Partnership's consolidated financial position or results of operations.

## REGULATION IN THE CABLE TELEVISION INDUSTRY

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communica-

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

tions Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 23, 1998, the amount returned by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Company.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

#### 14. EMPLOYEE BENEFIT PLANS:

The Partnership's employees may participate in Charter Communications, Inc. 401(k) Plan (the "401(k) Plan"). Employees that qualify for participation can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Partnership contributes an amount equal to 50% of the first 5% of contributions by each employee. For the period from January 1, 1998, through December 23, 1998, the Partnership contributed \$305. During 1997 and 1996, the Partnership contributed \$262 and \$149, respectively.

Certain Partnership employees participate in the 1996 Charter Communications/Charterhouse Group Appreciation Rights Plan (the "Appreciation Rights Plan"). The Appreciation Rights Plan covers certain key

CHARTERCOMM HOLDINGS, L.P.  
AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

employees and consultants within the group of companies and partnerships controlled by Charterhouse and managed by Charter. The Plan permits the granting of up to 1,000,000 units, of which 925,000 were outstanding at December 31, 1997. Unless otherwise provided in a particular instance, units vest at a rate of 20% per annum. The Plan entitles participants to receive payment of the appreciated unit value for vested units, upon the occurrence of certain events specified in the Plan (i.e. change in control, employee termination). The units do not represent a right to an equity interest in CharterComm Holdings. Compensation expense is based on the appreciated unit value and is amortized over the vesting period.

As a result of the acquisition of Charter and the Partnership, the Plan was terminated, all outstanding units became 100% vested and all amounts were paid by Charter in 1999. For the period from January 1, 1998, through December 23, 1998, the Partnership recorded \$4,920 of expense, included in management fees, and a contribution from Charter related to the Appreciation Rights Plan.

## 15. ACCOUNTING STANDARD NOT YET IMPLEMENTED:

In June 1998, the Financial Accounting Standards Board adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. The Partnership has not yet quantified the impacts of adopting SFAS No. 133 on its consolidated financial statements nor has it determined the timing or method of its adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility in earnings (loss).

## 16. SUBSEQUENT EVENT:

Subsequent to December 31, 1998, CharterComm Holdings, L.P. and all of its subsidiaries converted to limited liability companies and are now known as CharterComm Holdings LLC and subsidiaries.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Marcus Cable Holdings, LLC:

We have audited the accompanying consolidated statements of operations, members' deficit and cash flows of Marcus Cable Holdings, LLC and subsidiaries for the three months ended March 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations of Marcus Cable Holdings, LLC and subsidiaries and their cash flows for the three months ended March 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
March 6, 2000

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS)

THREE MONTHS ENDED MARCH 31, 1999 -----

REVENUES.....		
\$ 125,180 -----	OPERATING EXPENSES: Operating	
costs.....	45,309	
General and administrative.....	23,675	Depreciation and
amortization.....	51,688	Management
fees -- related party.....	4,381	-----
----- 125,053 -----	Income from	
operations.....	127	-----
	OTHER INCOME (EXPENSE): Interest	
Income.....	104	
Interest expense.....		
	(27,067) Other,	
net.....	(158)	-
----- (27,121) -----	Loss before extraordinary	
item.....	(26,994)	EXTRAORDINARY
ITEM -- Loss from early extinguishment of		
debt.....	(107,978)	----- Net
loss.....		
	\$ (134,972)	=====

The accompanying notes are an integral part of this consolidated statement.

F-82



MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF MEMBERS' DEFICIT  
 (DOLLARS IN THOUSANDS)

MARCUS CABLE PROPERTIES, VULCAN  
 MEMBERS' L.L.C CABLE, INC DEFICIT --  
 -----

BALANCE, December 31,

1998.....

\$(21,355) \$ 125,639 \$ 104,284 Net

loss -- January 1, 1999 to March 31,

1999..... (5,129) (129,843)

(134,972) -----

---- BALANCE, March 31,

1999.....

\$(26,484) \$ (4,204) \$ (30,688)

=====

The accompanying notes are an integral part of this consolidated statement.

F-83

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLARS IN THOUSANDS)

THREE MONTHS ENDED MARCH 31, 1999 ----- CASH  
 FLOWS FROM OPERATING ACTIVITIES: Net  
 loss.....  
 \$ (134,972) Adjustments to reconcile net loss to net  
 cash provided by operating activities -- Depreciation  
 and amortization..... 51,688  
 Amortization of non-cash interest  
 expense..... 868 Accretion of notes  
 payable..... 14,522  
 Extraordinary item -- loss from early extinguishment  
 of long-term  
 debt..... 107,978  
 Changes in assets and liabilities, net of effects  
 from dispositions of cable television systems-  
 Accounts receivable.....  
 2,650 Prepaid expenses and  
 other..... 2,882 Accounts  
 payable and accrued expenses..... (13,170)  
 Other operating activities.....  
 9,022 ----- Net cash provided by operating  
 activities..... 41,468 ----- CASH FLOWS  
 FROM INVESTING ACTIVITIES: Purchases of property,  
 plant and equipment..... (57,057) -----  
 --- Net cash used in investing  
 activities..... (57,057) ----- CASH  
 FLOWS FROM FINANCING ACTIVITIES: Borrowings of long-  
 term debt..... 24,246  
 Repayments of long-term  
 debt..... (1,680,142) Loan  
 from Charter Holdings.....  
 1,680,142 ----- Net cash provided by financing  
 activities..... 24,246 ----- NET INCREASE  
 IN CASH AND CASH EQUIVALENTS..... 8,657  
 CASH AND CASH EQUIVALENTS, beginning of  
 period..... 813 ----- CASH AND CASH  
 EQUIVALENTS, end of period..... \$  
 9,470 ===== CASH PAID FOR  
 INTEREST..... \$  
 12,807 =====

The accompanying notes are an integral part of this consolidated statement.

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 1. ORGANIZATION AND BASIS OF PRESENTATION

Marcus Cable Holdings, LLC (Marcus Holdings), a Delaware limited liability company, was formed in February 1999 as parent of Marcus Cable Company, L.L.C. (MCCLLC), formerly Marcus Cable Company, L.P. (MCCLP). MCCLP was formed as a Delaware limited partnership and was converted to a Delaware limited liability company on June 9, 1998. Marcus Holdings and its subsidiaries (collectively, the "Company") derive their primary source of revenues by providing various levels of cable television programming and services to residential and business customers. The Company's operations are conducted through Charter Cable Operating Company, LLC, formerly Marcus Cable Operating Company, L.L.C., a wholly owned subsidiary of the Company. The Company operates cable television systems primarily in Texas, Wisconsin, Indiana, California and Alabama.

The accompanying consolidated financial statements include the accounts of MCCLLC and its subsidiary limited liability companies and corporations, representing the financial statements of the Company for the period presented. All significant intercompany accounts and transactions have been eliminated in consolidation.

On April 23, 1998, Vulcan Cable, Inc. and Paul G. Allen (collectively referred to as "Vulcan") acquired all of the outstanding limited partnership interest and substantially all of the general partner interest in MCCLP for cash payments of \$1,392,000 (the "Vulcan Acquisition"). Under the terms of the purchase agreement, the owner of the remaining 0.6% general partner interest in the Company (the "Minority Interest"), which represents 100% of the voting control of the Company, could cause Vulcan to purchase the 0.6% general partner interest under certain conditions, or Vulcan could cause the Minority Interest to sell its interest to Vulcan under certain conditions at a fair value of not less than \$8,000. On March 31, 1999, Vulcan acquired voting control of the Company by its acquisition of the Minority Interest for cash consideration.

Effective December 23, 1998, through a series of transactions, Mr. Allen acquired approximately 94% of Charter Communications, Inc. (Charter) (renamed Charter Investment, Inc.). Beginning in October 1998, Charter began to manage the operations of the Company.

In March 1999, Charter transferred all of its cable television operating subsidiaries to a subsidiary, Charter Communications Holdings, LLC (Charter Holdings) in connection with the issuance of Senior Notes and Senior Discount Notes totaling \$3.6 billion. These operating subsidiaries were then transferred to Charter Communications Operating, LLC (Charter Operating). On April 7, 1999, the cable television operating subsidiaries of the Company were transferred to Charter Operating subsequent to the purchase by Mr. Allen of the Minority Interest.

As a result of the Vulcan Acquisition, the Company recognized severance and stay-on bonus compensation of \$16,034 for the year ended December 31, 1998. As of December 31, 1998, 35 employees and officers of the Company had been terminated and \$13,634 had been paid under severance and bonus arrangements. By March 31, 1999, 50 additional employees were terminated and the remaining balance of \$2,400 was paid in April 1999.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installation. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for maintenance and repairs are charged to expense as incurred and equipment replacements and betterments are capitalized.

Depreciation is provided by the straight-line method over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-10 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3- 5 years

Depreciation expense for the three months ended March 31, 1999 was \$33,696.

## FRANCHISES

Costs incurred in obtaining and renewing cable television franchises are deferred and amortized over the estimated lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable television systems represent management's estimate of fair value and are amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company. Amortization expense for the three months ended March 31, 1999 was \$17,992.

## OTHER ASSETS

Debt issuance costs are amortized to interest expense over the term of the related debt.

## IMPAIRMENT OF ASSETS

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable television system. As of March 31, 1999, no installation revenue has been deferred as direct selling costs exceeded installation revenue.

## INCOME TAXES

Income taxes are the responsibility of the individual members and are not provided for in the accompanying financial statements. The Company's subsidiary corporations are subject to federal income tax but have had no operations since inception and therefore, no taxable income.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. MEMBERS' EQUITY (DEFICIT)

Upon completion of the Vulcan Acquisition, Vulcan owned 99.4% of MCCLP through direct ownership of all LP Units and through 80% ownership of Marcus Cable Properties, Inc. ("MCPI"), the general partner of Marcus Cable Properties, L.P. ("MCPLP"), the general partner of MCCLP. The Minority Interest owned the voting common stock, or the remaining 20% of MCPI.

On June 9, 1998, MCCLP was converted into a Delaware limited liability company with two members: Vulcan Cable, Inc., with 96.2% ownership, and Marcus Cable Properties, L.L.C. ("MCPLLC") (formerly MCPLP), with 3.8% ownership. Vulcan Cable, Inc. owns approximately 25.6% and MCPI owns approximately 74.4% of MCPLLC, with Vulcan's interest in MCPI unchanged. As there was no change in ownership interests, the historical partners' capital balances at June 9, 1998 were transferred to and became the initial equity of MCCLLC, and thus the accompanying statement of members' equity has been presented as if the conversion of MCCLP into MCCLLC occurred on April 23, 1998, the date of the Vulcan Acquisition (see Note 1).

As of March 31, 1999, MCCLLC has 100 issued and outstanding membership units. Income and losses of MCCLLC are allocated to the members in accordance with their ownership interests. Members are not personally liable for obligations of MCCLLC.

## 4. RELATED PARTY TRANSACTIONS

The Company and Charter entered into a management agreement on October 6, 1998 whereby Charter began to manage the day-to-day operations of the Company. In consideration for the management consulting services provided by Charter, Marcus paid Charter an annual fee equal to 3% of the gross revenues of the cable system operations plus reimbursement for out of pocket costs and expenses incurred by Charter in performing services under the management agreement. For the three months ended March 31, 1999, management fees under this agreement were \$4,381. In connection with the transfer of the Company's operating subsidiaries to Charter Operating, the annual fee paid by Marcus to Charter increased to 3.5%.

## 5. EMPLOYEE BENEFIT PLAN

The Company sponsored a 401(k) plan for its employees whereby employees that qualified for participation under the plan could contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company matched participant contributions up to a maximum of 2% of a participant's salary. As a result of the Vulcan Acquisition, participants became fully vested in Company matching contributions.

In connection with Vulcan's acquisition of Charter, the Marcus Plan's assets were frozen as of December 23, 1998 and employees became fully vested in company matching contributions after the Vulcan Acquisition. Effective January 1, 1999, the Company's employees with two months of service are eligible to participate in the Charter Communications, Inc. 401(k) Plan (the "Charter Plan"). Employees that qualify for participation in the Charter Plan can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company contributes an amount equal to 50% of the first 5% of contributions by each employee. For the three months ended March 31, 1999, the Company made contributions to the Charter Plan of \$237.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 6. COMMITMENTS AND CONTINGENCIES

## LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Lease and rental costs charged to expense for the three months ended March 31, 1999 were \$584. The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense for pole attachments for the three months ended March 31, 1999 was \$955.

## LITIGATION

In Alabama, Indiana, Maryland, Texas and Wisconsin, customers have filed putative class action lawsuits on behalf of all of the Company's customers residing in those states who are or were customers, and who have been charged a processing fee for delinquent payment of their cable bill. The plaintiffs challenge the legality of the processing fee and seek declaratory judgment, injunctive relief and unspecified damages. The Company is in the process of finalizing a global settlement of these cases, which settlement must be approved by a court. Unless a global settlement is consummated and approved, the Company intends to vigorously defend the actions. At this stage, the Company is not able to project the final costs of settlement, the expenses of defending the actions or the potential outcome of the actions, including the impact on the consolidated financial position or results of operations.

The Company is also party to lawsuits, which are generally incidental to its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## REGULATION IN THE CABLE TELEVISION INDUSTRY

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 31, 1998, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Company.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

#### 7. LONG-TERM DEBT

In March 1999, concurrent with the issuance of Senior Notes and Senior Discount Notes (see Note 1), Charter and the Company extinguished all long-term debt, excluding borrowings of Charter and the Company under their respective credit agreements, and refinanced all existing credit agreements at various subsidiaries of Charter and the Company with a new credit agreement entered into by Charter Operating. The excess of the amount paid over the carrying value of the Company's long-term debt, net of unamortized debt issuance costs, was recorded as Extraordinary item -- loss on early extinguishment of debt in the accompanying consolidated statement of operations.

#### 8. ACCOUNTING STANDARD NOT IMPLEMENTED

In June 1998, the Financial Accounting Standards Boards adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Financial Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. The Company has not yet quantified the impacts of adopting SFAS No. 133 on its consolidated financial statements nor has it determined the timing or method of its adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility of earnings (loss).

## INDEPENDENT AUDITORS' REPORT

The Members  
Marcus Cable Holdings, LLC:

We have audited the accompanying consolidated balance sheets of Marcus Cable Holdings, LLC and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, members' equity/partners' capital and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marcus Cable Holdings, LLC and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Dallas, Texas  
February 19, 1999

(except for the fourth and seventh paragraphs of Note 1  
which are as of August 25, 1999 and April 7, 1999, respectively)

F-90



## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

DECEMBER 31, -	1998	1997	----
----- ASSETS -			
Current assets: Cash and cash equivalents.....	\$ 813	\$	
1,607 Accounts receivable, net of allowance of \$1,800 in 1998 and \$1,904 in 1997.....	16,055	23,935	
Prepaid expenses and other.....	6,094	2,105	-----
----- Total current assets.....	22,962	27,647	
Investment in cable television systems: Property, plant and equipment.....	741,021		
	706,626		
Franchises.....	783,742	945,125	Noncompetition
agreements.....	4,425	6,770	Other
assets.....	52,928	64,300	-----
			\$1,605,078
\$1,750,468 =====			LIABILITIES AND MEMBERS'
EQUITY/PARTNERS' CAPITAL -			-----
Current liabilities: Current maturities of long-term debt.....	\$		
	77,500	\$ 67,499	Accrued
liabilities.....	66,985		
68,754 -----			Total current
liabilities.....	144,485	136,253	
			Long-term
debt.....			
1,354,919 1,531,927			Other long-term
liabilities.....	1,390	2,261	
Members' equity/partners' capital.....	104,284	80,027	-----
-----	\$1,605,078	\$1,750,468	=====
			=====

See accompanying notes to consolidated financial statements.

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, - - - - -			
- - - - - 1998 1997 1996 - - - - -			
	---- Revenues: Cable		
services.....	\$		
499,265	\$	473,701	\$ 432,172
Management fees --			
related party.....	555	5,614	2,335
	----- Total		
revenues.....	499,820		
479,315	434,507		
Operating expenses: Selling, service and system			
management.....	193,725	176,515	157,197
	General and		
administrative.....			
77,913	72,351	73,017	Transaction and severance
costs.....	135,379	--	-- Management
fees -- related party.....	3,341	--	--
	-- Depreciation and		
amortization.....	215,789	188,471	
166,429			----- Total
operating expenses.....	626,147		
437,337	396,643		
Operating income (loss).....			
(126,327)	41,978	37,864	-----
	-- Other (income) expense: Interest		
expense.....	159,985		
151,207	144,376	Gain on sale of	
assets.....	(201,278)	--	
(6,442)			----- Total other
(income) expense.....	(41,293)	151,207	
137,934			----- Loss before
	extraordinary		
item.....	(85,034)		
(109,229)	(100,070)	Extraordinary item -- loss on	
	early retirement of		
debt.....			
(9,059)	--	--	----- Net
loss.....	\$ (94,093)		
\$(109,229)	\$(100,070)	=====	=====

See accompanying notes to consolidated financial statements.

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY/PARTNERS' CAPITAL  
 (IN THOUSANDS)

MARCUS CLASS B CABLE GENERAL LIMITED PROPERTIES, VULCAN PARTNERS PARTNERS L.L.C. CABLE, INC. TOTAL -----		
-----		
	Balance at December 31,	
1995.....	\$(21,396)	\$
310,722 -- --	\$ 289,326	Net
loss.....		
(200) (99,870) -- --	(100,070)	-
-----		
	Balance at	
	December 31, 1996.....	
(21,596) 210,852 -- --	189,256	
	Net	
loss.....		
(218) (109,011) -- --	(109,229)	
-----		
	Balance at	
	December 31, 1997.....	
(21,814) 101,841 -- --	80,027	
Net loss -- January 1, 1998 to		
April 22,		
1998.....		
(224) (111,838) -- --	(112,062)	
	Capital	
contributions.....		--
-- --	118,350	118,350
Reorganization of limited		
partnership to limited liability		
company.....		
22,038 9,997 (22,038) (9,997) --		
Net income -- April 23, 1998 to		
December 31,		
1998.....	-- --	683
17,286 17,969 -----		
-----		
	Balance at December 31,	
1998.....	\$ --	\$ --
\$(21,355) \$125,639 \$ 104,284		
=====	=====	=====
=====	=====	=====

See accompanying notes to consolidated financial statements.

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

YEAR ENDED DECEMBER 31, - - - - -	1998	1997	1996	- - - - -	- - - - -	- - - - -
	----	----	----	----	----	----
						Cash flows from
						operating activities: Net
loss.....						\$
(94,093)	\$(109,229)	\$(100,070)				Adjustments to reconcile
						net loss to net cash provided by operating activities:
						Extraordinary item -- loss on early retirement of
debt.....						
	9,059	--	--			Gain on sale of
assets.....					(201,278)	--
					(6,442)	Depreciation and
amortization.....					215,789	188,471
					166,429	Non cash interest
expense.....					82,416	72,657
63,278						Changes in assets and liabilities, net of working
						capital adjustments for acquisitions: Accounts
receivable, net.....					7,880	
					(6,439)	(70) Prepaid expenses and
other.....					(4,017)	95 (574) Other
assets.....					413	
					(385)	(502) Accrued
liabilities.....					(1,769)	
9,132	(3,063)	-----	-----	-----	-----	Net cash
provided by operating activities:.....					14,400	154,302
118,986	-----	-----	-----	-----	-----	Cash flows from
						investing activities: Acquisition of cable
systems.....					(57,500)	(53,812)
					(10,272)	Proceeds from sale of assets, net of cash
costs.....						acquired and selling
--					20,638	401,432
equipment.....					(224,723)	(197,275) (110,639)
Other.....						
(689)	-----	-----	-----	-----	-----	Net cash
						provided by (used in) investing
activities:.....					118,520	
(251,087)	(100,273)	-----	-----	-----	-----	Cash
						flows from financing activities: Borrowings under Senior
Credit Facility.....					217,750	226,000 65,000
						Repayments under Senior Credit
Facility.....					(359,500)	(131,250) (95,000)
						Repayments of notes and
debentures.....					(109,344)	-- --
						Payment of debt issuance
costs.....					(99)	(1,725) -- Cash
contributed by member.....						
118,350	--	--				Payments on other long-term
liabilities.....					(871)	(667) (88) -----
						-----
						Net cash provided by (used in)
						financing
activities.....						
(133,714)	92,358	(30,088)	-----	-----	-----	-----
						Net decrease in cash and cash
equivalents.....					(794)	(4,427) (11,375)
						Cash and cash equivalents at the beginning of the
period... 1,607	6,034	17,409	-----	-----	-----	-----
						Cash and cash equivalents at the end of the
period.....					\$ 813	\$ 1,607 \$ 6,034 =====
=====						=====
						Supplemental disclosure of cash flow
						information: Interest
paid.....						\$
81,765	\$ 81,155	\$ 83,473	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

## (1) ORGANIZATION AND BASIS OF PRESENTATION

Marcus Cable Holdings, LLC ("MCHLLC"), a Delaware limited liability company, was formed in February 1999 as parent of Marcus Cable Company, L.L.C. ("MCCLLC"), formerly Marcus Cable Company, L.P. ("MCCLP"). MCCLP was formed as a Delaware limited partnership and was converted to a Delaware limited liability company on June 9, 1998 (See Note 3). MCHLLC and its subsidiaries (collectively, the "Company") derive their primary source of revenues by providing various levels of cable television programming and services to residential and business customers. The Company's operations are conducted through Marcus Cable Operating Company, L.L.C. ("MCOC"), a wholly-owned subsidiary of the Company. The Company operates its cable television systems primarily in Texas, Wisconsin, Indiana, California and Alabama.

The accompanying consolidated financial statements include the accounts of MCHLLC, which is the predecessor of MCCLLC, and its subsidiary limited liability companies and corporations. All significant intercompany accounts and transactions have been eliminated in consolidation.

On April 23, 1998, Vulcan Cable, Inc. and Paul G. Allen (collectively referred to as "Vulcan") acquired all of the outstanding limited partnership interests and substantially all of the general partner interest in MCCLP for cash payments of \$1,392,000 ("the Vulcan Acquisition"). Under the terms of the purchase agreement, the owner of the remaining 0.6% general partner interest in the Company (the "Minority Interest"), which represents 100% of the voting control of the Company, could cause Vulcan to purchase the 0.6% general partner interest under certain conditions, or Vulcan could cause the Minority Interest to sell its interest to Vulcan under certain conditions, at a fair value of not less than \$8,000.

The accompanying consolidated financial statements do not reflect the application of purchase accounting for the Vulcan Acquisition because the Securities and Exchange Commission staff challenged such accounting treatment since, as of December 31, 1998, Vulcan had not acquired voting control of the Company. On March 31, 1999, Vulcan acquired voting control of the Company by its acquisition of the Minority Interest for cash consideration.

In connection with the Vulcan Acquisition, the Company incurred transaction costs of approximately \$119,345, comprised primarily of \$90,200 of compensation paid to employees of the Company by Vulcan in settlement of specially designated Class B units in MCCLP ("EUnit") granted in past periods by the general partner of MCCLP, \$24,000 of transaction fees paid to certain equity partners for investment banking services and \$5,200 of expenses for professional fees. These transaction costs have been included in the accompanying consolidated statement of operations for the year ended December 31, 1998.

Effective December 23, 1998, through a series of transactions, Paul G. Allen acquired approximately 94% of Charter Communications, Inc. ("Charter"). Beginning in October 1998, Charter managed the operations of the Company.

In March 1999, Charter transferred all of its cable television operating subsidiaries to a subsidiary, Charter Communications Holdings, LLC (Charter Holdings) in connection with the issuance of Senior Notes and Senior Discount Notes totaling \$3.6 billion. These operating subsidiaries were then transferred to Charter Communications Operating, LLC ("Charter Operating"). On April 7, 1999, the cable operations of the Company were transferred to Charter Operating subsequent to the purchase by Paul G. Allen of the Minority Interest.

As a result of the Vulcan Acquisition, the Company recognized severance and stay-on bonus compensation of \$16,034, which is included in Transaction and Severance Costs in the accompanying statement of operations for the year ended December 31, 1998. As of December 31, 1998, 35 employees and officers of the Company had been terminated and \$13,634 had been paid under severance and bonus arrangements. By

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

March 31, 1999, an additional 50 employees will be terminated. The remaining balance of \$2,400 is to be paid by April 30, 1999 and an additional \$400 in stay-on bonuses will be recorded as compensation in 1999 as the related services are provided.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (a) CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 1998 and 1997, cash equivalents consist of certificates of deposit and money market funds. These investments are carried at cost which approximates market value.

## (b) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installation. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for maintenance and repairs are charged to expense as incurred and equipment replacements and betterments are capitalized.

Depreciation is provided by the straight-line method over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-10 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

## (c) FRANCHISES

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the estimated lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable television systems represent management's estimate of fair value and are amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company. Accumulated amortization was \$317,335 and \$264,600 at December 31, 1998 and 1997, respectively.

## (d) NONCOMPETITION AGREEMENTS

Noncompetition agreements are amortized using the straight-line method over the term of the respective agreements. Accumulated amortization was \$20,267 and \$19,144 at December 31, 1998 and 1997, respectively.

## (e) OTHER ASSETS

Debt issuance costs are amortized to interest expense over the term of the related debt. Going concern value of acquired cable systems is amortized using the straight-line method over a period up to 10 years.

## (f) IMPAIRMENT OF ASSETS

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## (g) REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable television system. As of December 31, 1998 and 1997, no installation revenue has been deferred, as direct selling costs exceeded installation revenue.

Management fee revenues are recognized concurrently with the recognition of revenues by the managed cable television system, or as a specified monthly amount as stipulated in the management agreement. Incentive management fee revenue is recognized upon performance of specified actions as stipulated in the management agreement.

## (h) INCOME TAXES

Income taxes are the responsibility of the individual members and are not provided for in the accompanying financial statements. The Company's subsidiary corporations are subject to federal income tax but have had no operations and therefore, no taxable income since inception.

## (i) INTEREST RATE HEDGE AGREEMENTS

The Company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain of its debt agreements. Interest rate swaps and caps are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred.

The Company's interest rate swap agreements require the Company to pay a fixed rate and receive a floating rate thereby creating thereby creating fixed rate debt. Interest rate caps are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designed for hedging purposes and are not held or issued for speculative purposes.

## (j) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## (k) ACCOUNTING STANDARD NOT IMPLEMENTED

In June 1998, the Financial Accounting Standards Boards adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Financial Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. The Company has not yet quantified the impacts of adopting SFAS No. 133 on its consolidated financial statements nor has it determined the timing or method of its adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility of earnings (loss).

## (3) CAPITAL STRUCTURE

## PARTNERS' CAPITAL

## (a) CLASSES OF PARTNERSHIP INTERESTS

The MCCLP partnership agreement (the "Partnership Agreement") provided for Class B Units and Convertible Preference Units. Class B Units consisted of General Partner Units ("GP Units") and Limited Partner Units ("LP Units"). To the extent that GP Units had the right to vote, GP Units voted as Class B Units together with Class B LP Units. Voting rights of Class B LP Units were limited to items specified under the Partnership Agreement. Prior to the dissolution of the Partnership on June 9, 1998, there were 18,848.19 GP Units and 294,937.67 Class B LP Units outstanding.

The Partnership Agreement also provided for the issuance of a class of Convertible Preference Units. These units were entitled to a general distribution preference over the Class B LP Units and were convertible into Class B LP Units. The Convertible Preference Units could vote together with Class B Units as a single class, and the voting percentage of each Convertible Preference Unit, at a given time, was based on the number of Class B LP Units into which such Convertible Preference Unit is then convertible. MCCLP had issued 7,500 Convertible Preference Units with a distribution preference and conversion price of two thousand dollars per unit.

The Partnership Agreement permitted the General Partner, at its sole discretion, to issue up to 31,517 Employee Units (classified as Class B Units) to key individuals providing services to the Company. Employee Units were not entitled to distributions until such time as all units have received certain distributions as calculated under provisions of the Partnership Agreement ("subordinated thresholds"). At December 31, 1997 28,033.20 Employee Units were outstanding with a subordinated threshold ranging from \$1,600 to \$1,750 per unit (per unit amounts in whole numbers). In connection with the Vulcan Acquisition, the amount paid to EUnit holders of \$90,200 was recognized as Transaction and Severance Costs in the year ended December 31, 1998.

## (b) ALLOCATION OF INCOME AND LOSS TO PARTNERS

MCCLP incurred losses from inception. Losses were allocated as follows:

(1) First, among the partners whose capital accounts exceed their unreturned capital contributions in proportion to such excesses until each such partner's capital account equals its unreturned capital contribution; and

(2) Next, to the holders of Class B Units in accordance with their unreturned capital contribution percentages.

The General Partner was allocated a minimum of 0.2% to 1% of income or loss at all times, depending on the level of capital contributions made by the partners.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## MEMBERS' EQUITY

Upon completion of the Vulcan Acquisition, Vulcan collectively owned 99.4% of MCCLP through direct ownership of all LP Units and through 80% ownership of Marcus Cable Properties, Inc. ("MCPI"), the general partner of Marcus Cable Properties, L.P. ("MCPLP"), the general partner of MCCLP. The Minority Interest owned the voting common stock, or the remaining 20% of MCPI. In July 1998, Vulcan contributed \$20,000 in cash to the Company relating to certain employee severance arrangements.

On June 9, 1998, MCCLP was converted into a Delaware limited liability company with two members: Vulcan Cable, Inc., with 96.2% ownership, and Marcus Cable Properties, L.L.C. ("MCPLLC") (formerly MCPLP), with 3.8% ownership. Vulcan Cable, Inc. owns approximately 25.6% and MCPI owns approximately 74.4% of MCPLLC, with Vulcan's interest in MCPI unchanged. As there was no change in ownership interests, the historical partners' capital balances at June 9, 1998 were transferred to and became the initial equity of MCCLLC, and thus the accompanying statement of members' equity has been presented as if the conversion of MCCLP into MCCLLC occurred on April 23, 1998, the date of the Vulcan Acquisition (see Note 1).

As of December 31, 1998, MCCLLC has 100 issued and outstanding membership units. Income and losses of MCCLLC are allocated to the members in accordance with their ownership interests. Members are not personally liable for obligations of MCCLLC.

## (4) ACQUISITIONS AND DISPOSITIONS

In 1998, the Company acquired cable television systems in the Birmingham, Alabama area for a purchase price of \$57,500. The excess of the cost of properties acquired over the amounts assigned to net tangible assets and noncompetition agreements as of the date of acquisition was approximately \$44,603 and is included in franchises.

Additionally, in 1998, the Company completed the sale of certain cable television systems for an aggregate net sales price of \$401,432, resulting in a total gain of \$201,278.

In 1997, the Company acquired cable television systems in the Dallas-Ft. Worth, Texas area for a purchase price of \$35,263. The excess of the cost of properties acquired over the amounts assigned to net tangible assets as of the date of acquisition was \$15,098 and is included in franchises.

Additionally, in July 1997, the Company completed an exchange of cable television systems in Indiana and Wisconsin. According to the terms of the trade agreement, in addition to the contribution of its systems, the Company paid \$18,549.

In 1996, the Company acquired cable television systems in three separate transactions for an aggregate purchase price of \$10,272. The excess of the cost of properties acquired over the amounts assigned to net tangible assets as of the date of acquisition was \$4,861 and is included in franchises.

Additionally, in 1996, the Company completed the sale of cable television systems in Washington, D.C. for a sale price of \$20,638. The sale resulted in a gain of \$6,442.

The above acquisitions were accounted for using the purchase method of accounting and, accordingly, results of operations of the acquired assets have been included in the accompanying consolidated financial statements from the dates of acquisition. The purchase prices were allocated to tangible and intangible assets based on estimated fair market values at the dates of acquisition. The cable system trade discussed above was accounted for as a nonmonetary exchange and, accordingly, the additional cash contribution was allocated to tangible and intangible assets based on recorded amounts of the nonmonetary assets relinquished.

## MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Unaudited pro forma operating results as though 1998 and 1997 acquisitions and divestitures discussed above had occurred on January 1, 1997, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows for the years ended December 31, 1998 and 1997:

	1998	1997	----	----	(UNAUDITED)
Revenues.....					
	\$ 457,929	\$ 421,665			Operating income
(loss).....			(148,472)	9,064	
					Net
loss.....			(150,841)	(142,143)	

## (5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31:

	1998	1997	----	----	
Cable distribution systems.....					\$
	996,804	\$ 878,721			Vehicles and
other.....					
	40,243	37,943			Land and
buildings.....					
	18,861	17,271			
	1,055,908	933,935			Accumulated
depreciation.....					
(314,887)	(227,309)				\$
	741,021	\$ 706,626	=====	=====	

Depreciation expense for the years ended December 31, 1998, 1997 and 1996 was \$129,663, \$96,220, and \$72,281, respectively.

## (6) OTHER ASSETS

Other assets consist of the following at December 31, 1998 and 1997:

	1998	1997	-----	-----	
Debt issuance costs.....					\$ 41,079 \$
			45,225		Going concern
value.....				37,274	
				37,274	
Other.....					
	677	1,090		79,030	83,589
Accumulated amortization.....					(26,102)
(19,289)			\$ 52,928	\$ 64,300	=====
			=====		

## (7) ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31, 1998 and 1997:

	1998	1997	-----	-----	
Accrued operating liabilities.....					\$26,334
			\$27,923		Accrued programming
costs.....				9,539	
			9,704		Accrued franchise
fees.....				8,907	
			10,131		Accrued property
taxes.....				4,586	
			5,125		Accrued
interest.....					
			3,752	7,949	Other accrued
liabilities.....					
	13,867	7,922		\$66,985	\$68,754
			=====	=====	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (8) LONG-TERM DEBT

The Company has outstanding the following borrowings on long-term debt arrangements at December 31, 1998 and 1997:

1998	1997	-----	-----	Senior
				Credit
Facility.....				
\$ 808,000	\$ 949,750	13	1/2%	Senior
Subordinated Discount Notes.....				
383,236	336,304	14	1/4%	Senior
Discount Notes.....				
241,183	213,372	11	7/8%	Senior
Debentures.....				
-- 100,000				
1,432,419	1,599,426			Less current
maturities.....				
77,500	67,499			
\$1,354,919	\$1,531,927			=====
				=====

The Company, through MCOC, maintains a senior credit facility ("Senior Credit Facility"), which provides for two term loan facilities, one with a principal amount of \$490,000 that matures on December 31, 2002 ("Tranche A") and the other with a principal amount of \$300,000 million that matures on April 30, 2004 ("Tranche B"). The Senior Credit Facility provides for scheduled amortization of the two term loan facilities which began in September 1997. The Senior Credit Facility also provides for a \$360,000 revolving credit facility ("Revolving Credit Facility"), with a maturity date of December 31, 2002. Amounts outstanding under the Senior Credit Facility bear interest at either the: i) Eurodollar rate, ii) prime rate, or iii) CD base rate or Federal Funds rate, plus a margin of up to 2.25%, which is subject to certain quarterly adjustments based on the ratio of MCOC's total debt to annualized operating cash flow, as defined. The variable interest rates ranged from 6.23% to 7.75% and 5.97% to 8.00% at December 23, 1998, and December 31, 1997, respectively. A quarterly commitment fee ranging from 0.250% to 0.375% per annum is payable on the unused commitment under the Senior Credit Facility.

On October 16, 1998, the Company entered into an agreement to amend its Senior Credit Facility. The amendment provides for, among other items, a reduction in the permitted leverage and cash flow ratios, a reduction in the interest rate charge under the Senior Credit Facility and a change in the restriction related to the use of cash proceeds from asset sales to allow such proceeds to be used to redeem the 11 7/8% Senior Debentures.

In 1995, the Company issued \$299,228 of 14 1/4% Senior Discount Notes due December 15, 2005 (the "14 1/4% Notes") for net proceeds of \$150,003. The 14 1/4% Notes are unsecured and rank pari passu to the 11 7/8% Debentures (defined below). The 14 1/4% Notes are redeemable at the option of MCHLLC at amounts decreasing from 107% to 100% of par beginning on June 15, 2000. No interest is payable until December 15, 2000. Thereafter interest is payable semi-annually until maturity. The discount on the 14 1/4% Notes is being accreted using the effective interest method. The unamortized discount was \$85,856 at December 31, 1997.

In 1994, the Company, through MCOC, issued \$413,461 face amount of 13 1/2% Senior Subordinated Discount Notes due August 1, 2004 (the "13 1/2% Notes") for net proceeds of \$215,000. The 13 1/2% Notes are unsecured, are guaranteed by MCHLLC and are redeemable, at the option of MCOC, at amounts decreasing from 105% to 100% of par beginning on August 1, 1999. No interest is payable on the 13 1/2% Notes until February 1, 2000. Thereafter, interest is payable semi-annually until maturity. The discount on the 13 1/2% Notes is being accreted using the effective interest method. The unamortized discount was \$77,157 at December 31, 1997.

In 1993, the Company issued \$100,000 principal amount of 11 7/8% Senior Debentures due October 1, 2005 (the "11 7/8% Debentures"). The 11 7/8% Debentures were unsecured and were redeemable at the option of the Company on or after October 1, 1998 at amounts decreasing from 105.9% to 100% of par at October 1, 2002, plus accrued interest, to the date of redemption. Interest on the 11 7/8% Debentures was payable semi-annually each April 1 and October 1 until maturity.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (10) RELATED PARTY TRANSACTIONS

The Company and Charter entered into a management agreement on October 6, 1998 whereby Charter began to manage the day-to-day operations of the Company. In consideration for the management consulting services provided by Charter, Marcus pays Charter an annual fee equal to 3% of the gross revenues of the cable system operations, plus expenses. From October 6, 1998 to December 31, 1998, management fees under this agreement were \$3,341.

Prior to the consummation of the Vulcan Acquisition, affiliates of Goldman Sachs owned limited partnership interests in MCCLP. Maryland Cable Partners, L.P. ("Maryland Cable"), which was controlled by an affiliate of Goldman Sachs, owned the Maryland Cable systems. MCOC managed the Maryland Cable systems under the Maryland Cable Agreement. Pursuant to such agreement, MCOC earned a management fee equal to 4.7% of the revenues of Maryland Cable.

Effective January 31, 1997, Maryland Cable was sold to a third party. Pursuant to the Maryland Cable Agreement, MCOC recognized incentive management fees of \$5,069 during the twelve months ended December 31, 1997 in conjunction with the sale. Although MCOC is no longer involved in the active management of the Maryland Cable systems, MCOC has entered into an agreement with Maryland Cable to oversee the activities, if any, of Maryland Cable through the liquidation of the partnership. Pursuant to such agreement, MCOC earns a nominal monthly fee. During the year ended December 31, 1998, MCOC earned total management fees of \$555. Including the incentive management fees noted above, during the years ended December 31, 1997 and 1996, MCOC earned total management fees of \$5,614 and \$2,335, respectively.

## (11) EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) plan for its employees whereby employees that qualify for participation under the plan can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company matches participant contributions up to a maximum of 2% of a participant's salary. For the years ended December 31, 1998, 1997 and 1996, the Company made contributions to the plan of \$765, \$761 and \$480, respectively.

## (12) COMMITMENTS AND CONTINGENCIES

## LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Lease and rental costs charged to expense for the years ended December 31, 1998, 1997 and 1996 were \$3,394, \$3,230, and \$2,767, respectively. The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense for pole attachments for the years ended December 31, 1998, 1997 and 1996 were \$4,081, \$4,314, and \$4,008, respectively.

## REGULATION IN THE CABLE TELEVISION INDUSTRY

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 23, 1998, the amount returned by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Company.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

## LITIGATION

In Alabama, Indiana, Texas and Wisconsin, customers have filed punitive class action lawsuits on behalf of all person residing in those respective states who are or were potential customers of the Company's cable television service, and who have been charged a processing fee for delinquent payment of their cable bill. The actions challenge the legality of the processing fee and seek declaratory judgment, injunctive relief and unspecified damages. In Alabama and Wisconsin, the Company has entered into joint speculation and case management orders with attorneys for plaintiffs. A Motion to Dismiss is pending in Indiana. The Company intends to vigorously defend the actions. At this stage of the actions, the Company is not able to project the expenses of defending the actions or the potential outcome of the actions, including the impact on the consolidated financial position or results of operations.

The Company is also party to lawsuits which are generally incidental to its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (13) SUBSEQUENT EVENT (UNAUDITED)

In March 1999, concurrent with the issuance of Senior Notes and Senior Discount Notes, the combined company (Charter and the Company, see note 1) extinguished all long-term debt, excluding borrowings of Charter and the Company under their respective credit agreements, and refinanced all existing credit agreements at various subsidiaries of the Company and Charter with a new credit agreement entered into by a wholly owned subsidiary of the combined company.

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Renaissance Media Group LLC

We have audited the accompanying consolidated balance sheet of Renaissance Media Group LLC (the "Company") as of April 30, 1999 and the related consolidated statements of operations, changes in members' equity, and cash flows for the four months ended April 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at April 30, 1999, and the consolidated results of its operations and its cash flows for the four months then ended in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

New York, New York  
June 4, 1999  
except for Note 11, as to which the date is  
June 29, 1999



RENAISSANCE MEDIA GROUP LLC

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS)

APRIL 30, 1999 ----- ASSETS	Cash and cash equivalents.....	\$ 5,400
Accounts receivable -- trade (less allowance for doubtful accounts of \$86).....	520	Accounts receivable -- other.....
492	Prepaid expenses and other assets.....	416
Investment in cable television systems: Property, plant and equipment.....	76,250	Less: accumulated depreciation.....
(10,706) -----	65,544 -----	Cable television franchises.....
238,429	Less: accumulated amortization.....	(16,754) -----
221,675 -----	Intangible assets.....	17,544
Less: accumulated amortization.....	(1,525) -----	16,019 -----
Net investment in cable television systems.....	303,238	-----
Total assets.....	\$310,066	=====
LIABILITIES AND MEMBERS' EQUITY	Accounts payable.....	\$ 546
Accrued expenses.....	3,222	Subscriber advance payments and deposits.....
657	Deferred marketing credits.....	650
Debt.....	213,402	-----
Total liabilities.....	218,477	-----
Members' equity: Paid-in capital.....	108,600	Accumulated deficit.....
(17,011) -----	Total members' equity.....	91,589
-----	-- Total liabilities and members' equity.....	\$310,066
=====		

See accompanying notes to consolidated financial statements.

RENAISSANCE MEDIA GROUP LLC  
CONSOLIDATED STATEMENT OF OPERATIONS  
(IN THOUSANDS)

FOUR MONTHS ENDED APRIL 30, 1999 -----

Revenues.....	
\$20,396 Costs and expenses: Service	
costs.....	6,325
Selling, general and administrative.....	
3,057 Depreciation and	
amortization.....	8,912 -----
Operating	
income.....	2,102
Interest	
income.....	122
Interest	
(expense).....	(6,321)
----- (Loss) before credit for	
taxes.....	(4,097) Credit for
taxes.....	65 -----
- Net	
(loss).....	\$ (4,032) =====

See accompanying notes to consolidated financial statements.

RENAISSANCE MEDIA GROUP LLC  
 CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
 (IN THOUSANDS)

TOTAL PAID-IN ACCUMULATED MEMBERS' CAPITAL DEFICIT EQUITY -----	-----	-----	-----	Balance
December 31, 1998.....	\$108,600	\$(12,979)	\$95,621	Net
(loss).....				
-- (4,032) (4,032) -----				Balance
April 30, 1999.....	\$108,600	\$(17,011)	\$91,589	=====
				=====
				=====

See accompanying notes to consolidated financial statements.

RENAISSANCE MEDIA GROUP LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(IN THOUSANDS)

FOUR MONTHS ENDED APRIL 30, 1999 -----

OPERATING ACTIVITIES Net

(loss).....		
\$ (4,032) Adjustments to non-cash and non-operating		
items: Depreciation and		
amortization.....	8,912	
Accretion on Senior Discount		
Notes.....	3,528	Other non-cash
charges.....	322	Changes
in operating assets and liabilities: Accounts		
receivable -- trade, net.....	206	
Accounts receivable -- other.....		
92 Prepaid expenses and other		
assets.....	(75)	Accounts
payable.....	(1,496)	
Accrued expenses.....		
(3,449) Subscriber advance payments and		
deposits.....	49	Deferred marketing
support.....	(150)	----- Net
cash provided by operating		
activities.....	3,907	----- INVESTING
ACTIVITIES Purchased cable television systems:		
Property, plant and		
equipment.....	(830)	Cable
television franchises.....		
(1,940) Escrow		
deposit.....		
150 Capital		
expenditures.....		
(4,250) Other intangible		
assets.....	16	-----
Net cash used in investing		
activities.....	(6,854)	-----
FINANCING ACTIVITIES Repayment of advances from		
Holdings.....	(135)	----- Net
cash used in financing		
activities.....	(135)	----- Net
decrease in cash and cash		
equivalents.....	(3,082)	Cash and cash
equivalents at December 31, 1998.....	8,482	
===== Cash and cash equivalents at April 30,		
1999.....	\$ 5,400	===== SUPPLEMENTAL
DISCLOSURES Interest		
paid.....	\$	
4,210	=====	

See accompanying notes to consolidated financial statements

## RENAISSANCE MEDIA GROUP LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL DOLLAR AMOUNTS IN THOUSANDS)

## 1. ORGANIZATION AND BASIS OF PRESENTATION

Renaissance Media Group LLC ("Group") a wholly owned subsidiary of Renaissance Media Holdings LLC ("Holdings"), was formed in March 1998 to own and operate cable television systems in small and medium sized markets, which provide programming, and other related services, to subscribers through its hybrid coaxial and fiber optic distribution plant for a monthly fee. Group and its wholly owned subsidiaries, Renaissance Media (Louisiana) LLC ("Louisiana"), Renaissance Media (Tennessee) LLC ("Tennessee"), and Renaissance Media LLC ("Media") are collectively referred to as the "Company". On April 9, 1998, the Company acquired six cable television systems (the "Acquisition") from TWI Cable, Inc., a subsidiary of Time Warner Inc. ("Time Warner"). Prior to the Acquisition, the Company had no operations other than start-up related activities.

On February 23, 1999, Holdings, Charter Communications, Inc. ("Charter"), now known as Charter Investment, Inc. and Charter Communications, LLC ("Buyer" or "CC LLC") executed a purchase agreement (the "Charter Purchase Agreement"), providing for Holdings to sell and Buyer to purchase, all of the outstanding limited liability company membership interests in Group held by Holdings (the "Charter Transaction") subject to certain covenants and restrictions pending satisfaction of certain conditions prior to closing. The purchase price was \$459,000, consisting of \$348,000 in cash and \$111,000 in assumed debt. On April 30, 1999, the Charter Transaction was consummated.

These financial statements have been prepared as of and for the four months ended April 30, 1999 immediately prior to the consummation of the Charter Transaction.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## NEW ACCOUNTING STANDARDS

During 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133 -- An Amendment of FASB Statement No. 133" has delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The adoption of SFAS No. 133 is not expected to have a material impact on the consolidated financial statements.

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company accounts and transactions have been eliminated.

## CONCENTRATION OF CREDIT RISK

A significant portion of the customer base is concentrated within the local geographical area of each of the individual cable television systems. The Company generally extends credit to customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain

## RENAISSANCE MEDIA GROUP LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

customers. Management does not believe that there is any significant credit risk which could have a material effect on the Company's financial condition.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at purchased and capitalized cost. Capitalized internal costs principally consist of employee costs and interest on funds borrowed during construction. Capitalized labor, materials and associated overhead amounted to approximately \$721 for the four months ended April 30, 1999. Replacements, renewals and improvements to installed cable plant are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation expense for the four months ended April 30, 1999 amounted to \$3,434.

Property, plant and equipment is depreciated using the straight-line method over the following estimated service lives:

Buildings and leasehold improvements.....	5-30 years
Cable systems, equipment and subscriber devices.....	5-30 years
Transportation equipment.....	3-5 years
Furniture, fixtures and office equipment.....	5-10 years

Property, plant and equipment at April 30, 1999 consisted of:

Land.....	\$ 436
Buildings and leasehold improvements.....	1,445
Cable systems, equipment and subscriber devices.....	64,658
Transportation equipment.....	2,301
Furniture, fixtures and office equipment.....	923
Construction in progress.....	6,487
	-----
	76,250
Less: accumulated depreciation.....	(10,706)
	-----
Total.....	\$65,544
	=====

## CABLE TELEVISION FRANCHISES AND INTANGIBLE ASSETS

Cable television franchise costs include the assigned fair value, at the date of acquisition, of the franchises from purchased cable television systems. Intangible assets include goodwill, deferred financing and other intangible assets. Cable television franchises and intangible assets are amortized using the straight-line method over the following estimated useful lives:

Cable television franchises.....	15 years
Goodwill.....	25 years
Deferred financing and other intangible assets.....	2-10 years

## RENAISSANCE MEDIA GROUP LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

Intangible assets at April 30, 1999 consisted of:

Goodwill.....	\$ 8,608
Deferred financing costs.....	8,307
Other intangible assets.....	629
	-----
	17,544
Less: accumulated amortization.....	(1,525)
	-----
Total.....	\$16,019
	=====

The Company reviews the carrying value of its long-lived assets, including property, plant and equipment, cable television franchises and intangible assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash inflows attributable to the asset, less estimated future cash outflows, is less than the carrying amount, an impairment loss is recognized to the extent that the carrying value of such asset is greater than its fair value.

## REVENUES AND COSTS

Subscriber fees are recorded as revenue in the period the related services are provided and advertising revenues are recognized in the period the related advertisements are exhibited. Rights to exhibit programming are purchased from various cable networks. The costs of such rights are generally expensed as the related services are made available to subscribers.

## ADVERTISING COSTS

Advertising costs are expensed upon the first exhibition of the related advertisements and are recorded net of marketing credits earned from launch incentive and cooperative advertising programs.

During the four months ended April 30, 1999 the company earned marketing credits in excess of advertising expense incurred. Advertising expense and marketing credits amounted to \$263 and \$306, respectively, for the four months ended April 30, 1999.

## ESTIMATES USED IN FINANCIAL STATEMENT PRESENTATION

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. ACQUISITIONS

## BAYOU VISION, INC.

On February 3, 1999, Media acquired the cable television assets of Bayou Vision, Inc. and Gulf South Cable, Inc. serving approximately 1,950 subscribers in the Villages of Estherwood, Morse and Mermentau and Acadia and Livingston Parish, Louisiana. The cash purchase price was approximately \$2,700 and was paid out of available Company funds.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

## 4. DEBT

As of April 30, 1999, debt consisted of:

10% Senior Discount Notes at accreted value (a).....	\$110,902
Credit Agreement (b).....	102,500
	-----
	\$213,402
	=====

- (a) On April 9, 1998, the Company issued \$163,175 principal amount at maturity, \$100,012 initial accreted value, of 10% senior discount notes due 2008 (the "Notes"). The Notes pay no cash interest until April 15, 2003. From and after April 15, 2003 the Notes will bear interest, payable semi-annually in cash, at a rate of 10% per annum on April 15 and October 15 of each year, commencing October 15, 2003. The Notes are due on April 15, 2008. The fair market value of the Notes at April 30, 1999 was \$116,262. See Note 11 regarding the offer to repurchase the Notes.
- (b) On April 9, 1998, Media entered into a credit agreement among Morgan Stanley & Co. Incorporated as Placement Agent, Morgan Stanley Senior Funding Inc., as Syndication Agent, the Lenders, CIBC Inc., as Documentation Agent and Bankers Trust Company as Administrative Agent (the "Credit Agreement"). The aggregate commitments under the Credit Agreement total \$150,000, consisting of a \$40,000 revolver (the "Revolver"), \$60,000 Tranche A Term Loans and \$50,000 Tranche B Term Loans (collectively the "Term Loans"). The Revolver and Term Loans are collateralized by a first lien position on all present and future assets and the member's interest of Media, Louisiana and Tennessee. The Credit Agreement provides for interest at varying rates based upon various borrowing options and the attainment of certain financial ratios and for commitment fees of 1/2% on the unused portion of the revolver. Management believes the terms are comparable to those that could be obtained from third parties. The effective interest rate, including commitment fees and amortization of related deferred financing costs and the interest-rate cap, for the four months ended April 30, 1999 was 7.58%. See Note 11 regarding the repayment of amounts outstanding under the Credit Agreement upon consummation of the Charter Transaction. The Credit Agreement and the indenture pursuant to which the Notes were issued contain restrictive covenants on the Company regarding additional indebtedness, investment guarantees, loans, acquisitions, dividends and merger or sale of the subsidiaries and require the maintenance of certain financial ratios.

## 5. INTEREST RATE CAP AGREEMENT

The Company purchases interest rate cap agreements that are designed to limit its exposure to increasing interest rates and are designated to its floating rate debt. The strike price of these agreements exceeds the current market levels at the time they are entered into. The interest rate indices specified by the agreements have been and are expected to be highly correlated with the interest rates the Company incurs on its floating rate debt. Payments to be received as a result of the specified interest rate index exceeding the strike price are accrued in other assets and are recognized as a reduction of interest expense (the accrual accounting method). The cost of these agreements is included in other assets and amortized to interest expense ratably during the life of the agreement. Upon termination of interest rate cap agreements, any gain is deferred in other liabilities and amortized over the remaining term of the original contractual life of the agreement as a reduction of interest expense.

The Company purchased an interest rate cap agreement from Morgan Stanley Capital Services Inc. The carrying value as of April 30, 1999 was \$34. The fair value of the interest rate cap was \$0 as of April 30, 1999.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

The following table summarizes the interest rate cap agreement:

NOTIONAL INITIAL FIXED RATE PRINCIPAL EFFECTIVE TERMINATION CONTRACT (PAY AMOUNT TERM DATE DATE COST RATE) - - - ----- ----- ----- ----- -----	
\$100,000	2
Years	
12/1/97	
12/1/99	
\$100	7.25%

## 6. TAXES

For the four months ended April 30, 1999, the credit for taxes has been calculated on a separate company basis. The components of the credit for taxes are as follows:

FOUR MONTHS ENDED APRIL 30, 1999 ----- Federal:	
Current.....	\$ --
Deferred.....	--
State:.....	--
Current.....	(65)
Deferred.....	--
taxes.....	-- ---- (Credit) for \$ (65) =====

The Company's current state tax credit results from overpayment in 1998 of franchise tax in Tennessee and Mississippi and tax on capital in New York.

The Company has a net operating loss ("NOL") carry-forward for income tax purposes which is available to offset future taxable income. This NOL totals approximately \$22,324 and will expire in the year 2018 and 2019 at \$14,900 and \$7,424 respectively. The Company has established a valuation allowance to offset the entire potential future tax benefit of the NOL carry-forward and, therefore, has recognized no deferred tax asset with respect to the NOL.

Louisiana and Tennessee have elected to be treated as corporations for federal income tax purposes and have not recorded any tax benefit for their losses as the realization of these losses by reducing future taxable income in the carry forward period is uncertain at this time.

## 7. RELATED PARTY TRANSACTIONS

## (A) Transactions with Morgan Stanley entities

In connection with the Acquisition, Media entered into the Credit Agreement with Morgan Stanley Senior Funding Inc. and Morgan Stanley & Co. Incorporated (collectively the "Morgan Stanley Entities") acted as the Placement Agent for the Notes. In connection with these services the Morgan Stanley Entities received customary fees and expense reimbursement comparable to that of a third party exchange.

(B) Transactions with Time Warner and related parties

In connection with the Acquisition, Media entered into an agreement with Time Warner (the "Time Warner Agreement"), pursuant to which Time Warner managed the Company's programming in exchange for providing the Company access to certain Time Warner programming arrangements (the "Programming Arrangements"). Management believes that programming rates made available to the Company through its

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

relationship with Time Warner are lower than rates that the Company could obtain separately. Such volume rates will not continue to be available after the Charter Transaction.

For the four months ended April 30, 1999, the Company incurred approximately \$2,716 in costs under the Programming Arrangements. In addition, the Company has incurred programming costs of approximately \$958 for programming services owned directly or indirectly by Time Warner entities for the four months ended April 30, 1999.

## (C) Transactions with board member

The Company has utilized the law firm of one of its board members for legal services for the Acquisition, financing agreements and various ongoing legal matters. These fees totaled approximately \$154 for the four months ended April 30, 1999.

## 8. ACCRUED EXPENSES

Accrued expenses as of April 30, 1999 consist of the following:

Accrued franchise fees.....	\$ 830
Accrued programming costs.....	644
Accrued salaries, wages and benefits.....	516
Accrued interest.....	340
Accrued property and sales tax.....	231
Accrued legal and professional fees.....	43
Other accrued expenses.....	618
	-----
	\$3,222
	=====

## 9. EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution plan which covers substantially all employees (the "Plan"). The Plan provides for contributions from eligible employees up to 15% of their compensation subject to Internal Revenue Code limitations. The Company's contribution to the Plan is limited to 50% of each eligible employee's contribution up to 10% of his or her compensation. The Company has the right in any year to set the amount of the Company's contribution percentage. Company matching contributions to the Plan for the four months ended April 30, 1999 were approximately \$54. All participant contributions and earnings are fully vested upon contribution and Company contributions and earnings vest 20% per year of employment with the Company, becoming fully vested after five years.

In connection with the Charter Transaction, the Plan's assets were frozen as of April 30, 1999, and employees became fully vested. Effective July 1, 1999, the Company's employees with two months of service are eligible to participate in the Charter Communications, Inc. 401(k) Plan.

## 10. COMMITMENTS AND CONTINGENCIES

## (A) Leases

The Company had rental expense under various lease and rental agreements primarily for offices, tower sites and warehouses of approximately \$59 for the four months ended April 30, 1999. In addition, the Company rents utility poles in its operations generally under short term arrangements, but the Company expects these arrangements to recur. Total rent expense for utility poles was approximately \$272 for the four months ended April 30, 1999.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

Future minimum annual rental payments under noncancellable leases are as follows:

1999.....	\$ 29
2000.....	38
2001.....	24
2002.....	21
2003 and thereafter.....	70
	----
Total.....	\$182
	====

## (B) Employment Agreements

Media entered into employment agreements with six senior executives, who are also investors in Holdings, for the payment of salaries and bonuses. In connection with the Charter Transaction, the employment agreements with the six senior executives were terminated with no liability to the Company.

## (C) Other Agreements

In exchange for certain flexibility in establishing cable rate pricing structures for regulated services that went into effect on January 1, 1996, Time Warner agreed with the Federal Communications Commission ("FCC") to invest in certain upgrades to its cable infrastructure (consisting primarily of materials and labor in connection with the plant upgrades up to 750 MHz) by November 30, 2000. This agreement with the FCC (the "FCC Agreement") has been assumed by the Company as part of the Acquisition and did not terminate as a result of the Charter Transaction. The Company has agreed to invest approximately \$25,100 in upgrades to its cable infrastructure in accordance with the FCC Agreement.

The Company has spent approximately \$3,650 on such upgrades as of April 30, 1999.

## 11. SUBSEQUENT EVENTS

The Charter Transaction was consummated at the close of business on April 30, 1999. In connection with the closing of the Charter Transaction, all amounts outstanding under the Credit Agreement, including accrued interest and unpaid fees, were paid in full and the Credit Agreement was terminated. The effects of the debt repayment and the CC LLC capital contribution will be reflected in the consolidated financial statements of the Company for periods subsequent to April 30, 1999.

In connection with the closing of the Charter Transaction, the Time Warner Agreement was terminated on April 30, 1999 and Media paid Time Warner \$650 for deferred marketing credits owed to program providers under the Programming Arrangements. See Note 7 (Transactions with Time Warner and related parties).

On May 28, 1999, as a result of the Charter Transaction (i.e., change of control) and in accordance with the terms and conditions of the indenture governing the Notes, the Company made an offer (the "Tender Offer") to purchase any and all of the Notes at 101% of their accreted value, plus accrued and unpaid interest, if any, through June 28, 1999. The Tender Offer expired on June 23, 1999, whereby 48,762 notes (\$1,000 face amount at maturity) were validly tendered and accepted for purchase. On June 28, 1999, Charter Communications Operating, LLC, the indirect parent of Group, paid a sum of \$34,223 for all of the Notes validly tendered. Accordingly, the Company recorded this payment for the extinguishment of debt as a capital contribution.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ALL DOLLAR AMOUNTS IN THOUSANDS)

## 12. MANAGEMENT AGREEMENT (UNAUDITED)

Effective May 1, 1999, the Company is charged a management fee equal to 3.5% of revenues, as stipulated in the previous management agreement between Charter and Charter Communications Operating, LLC ("CCO"), the indirect parent of Group. To the extent that management fees charged to the Company are greater/(less) than the proportionate share (based on basic subscribers) of corporate expenses incurred by Charter on behalf of the Company, Group will record distributions to/(capital contributions from) Charter. On November 12, 1999, Charter and CCO entered into a revised management agreement eliminating the 3.5% management fee and entitling Charter to reimbursement from CCO of all of its costs incurred in connection with the performance of its services under the revised management agreement.

F-118

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Renaissance Media Group LLC

We have audited the accompanying consolidated balance sheet of Renaissance Media Group LLC as of December 31, 1998 and the related consolidated statements of operations, changes in members' equity, and cash flows for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renaissance Media Group LLC at December 31, 1998, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

New York, New York  
February 22, 1999  
except for Note 11, as to which  
the date is February 24, 1999

RENAISSANCE MEDIA GROUP LLC  
CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 1998  
(IN THOUSANDS)

ASSETS

Cash and cash equivalents.....	\$ 8,482
Accounts receivable -- trade (less allowance for doubtful accounts of \$92).....	726
Accounts receivable -- other.....	584
Prepaid expenses and other assets.....	340
Escrow deposit.....	150
Investment in cable television systems:	
Property, plant and equipment.....	71,246
Less: Accumulated depreciation.....	(7,294)
	-----
	63,952
	-----
Cable television franchises.....	236,489
Less: Accumulated amortization.....	(11,473)
	-----
	225,016
	-----
Intangible assets.....	17,559
Less: Accumulated amortization.....	(1,059)
	-----
	16,500
	-----
Total investment in cable television systems.....	305,468
	-----
Total assets.....	\$315,750
	=====

LIABILITIES AND MEMBERS' EQUITY

Accounts payable.....	\$ 2,042
Accrued expenses(a).....	6,670
Subscriber advance payments and deposits.....	608
Deferred marketing support.....	800
Advances from Holdings.....	135
Debt.....	209,874
	-----
Total Liabilities.....	220,129
	-----
Members' Equity:	
Paid in capital.....	108,600
Accumulated deficit.....	(12,979)
	-----
Total members' equity.....	95,621
	-----
Total liabilities and members' equity.....	\$315,750
	=====

-----  
(a) includes accrued costs from transactions with affiliated companies of \$921.

See accompanying notes to financial statements.

RENAISSANCE MEDIA GROUP LLC  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1998  
(IN THOUSANDS)

REVENUES.....	\$ 41,524
	-----
COSTS & EXPENSES	
Service Costs(a).....	13,326
Selling, General & Administrative.....	7,711
Depreciation & Amortization.....	19,107
	-----
Operating Income.....	1,380
Interest Income.....	158
Interest (Expense) (b).....	(14,358)
	-----
(Loss) Before Provision for Taxes.....	(12,820)
Provision for Taxes.....	135
	-----
Net (Loss).....	\$(12,955)
	=====

-----  
(a) includes costs from transactions with affiliated companies of \$7,523.

(b) includes \$676 of amortization of deferred financing costs.

See accompanying notes to financial statements.

F-121



RENAISSANCE MEDIA GROUP LLC  
 CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 1998  
 (IN THOUSANDS)

PAID TOTAL IN ACCUMULATED MEMBER'S CAPITAL (DEFICIT)	
EQUITY -----	Contributed
Members' Equity -- Renaissance Media Holdings LLC and	
Renaissance Media LLC.....	\$
15,000 \$ (24) \$14,976 Additional capital	
contributions.....	93,600 - -
	93,600 Net
(Loss).....	
-- (12,955) (12,955) -----	
	Balance December 31,
1998.....	\$108,600
\$ (12,979) \$95,621 =====	=====

See accompanying notes to financial statements.

F-122

RENAISSANCE MEDIA GROUP LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1998  
(IN THOUSANDS)

OPERATING ACTIVITIES:	
Net (loss).....	\$(12,955)
Adjustments to non-cash and non-operating items:	
Depreciation and amortization.....	19,107
Accretion on Senior Discount Notes.....	7,363
Other non-cash charges.....	730
Changes in operating assets and liabilities:	
Accounts receivable -- trade, net.....	(726)
Accounts receivable -- other.....	(584)
Prepaid expenses and other assets.....	(338)
Accounts payable.....	2,031
Accrued expenses.....	6,660
Subscriber advance payments and deposits.....	608
Deferred marketing support.....	800
	-----
Net cash provided by operating activities.....	22,696
	-----
INVESTING ACTIVITIES:	
Purchased cable television systems:	
Property, plant and equipment.....	(65,580)
Cable television franchises.....	(235,412)
Cash paid in excess of identifiable assets.....	(8,608)
Escrow deposit.....	(150)
Capital expenditures.....	(5,683)
Cable television franchises.....	(1,077)
Other intangible assets.....	(526)
	-----
Net cash (used in) investing activities.....	(317,036)
	-----
FINANCING ACTIVITIES:	
Debt acquisition costs.....	(8,323)
Principal repayments on bank debt.....	(7,500)
Advances from Holdings.....	33
Proceeds from bank debt.....	110,000
Proceeds from 10% Senior Discount Notes.....	100,012
Capital contributions.....	108,600
	-----
Net cash provided by financing activities.....	302,822
	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	8,482
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 1997.....	--
	-----
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 1998.....	\$ 8,482
	=====
SUPPLEMENTAL DISCLOSURES:	
INTEREST PAID.....	\$ 4,639
	=====

See accompanying notes to financial statements.

RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

1. ORGANIZATION AND BASIS OF PRESENTATION

Renaissance Media Group LLC ("Group") was formed on March 13, 1998 by Renaissance Media Holdings LLC ("Holdings"). Holdings is owned by Morgan Stanley Capital Partners III, L.P. ("MSCP III"), Morgan Stanley Capital Investors, L.P. ("MSCI"), MSCP III 892 Investors, L.P. ("MSCP Investors" and, collectively, with its affiliates, MSCP III and MSCI and their respective affiliates, the "Morgan Stanley Entities"), Time Warner and the Management Investors. On March 20, 1998, Holdings contributed to Group its membership interests in two wholly-owned subsidiaries; Renaissance Media (Louisiana) LLC ("Louisiana") and Renaissance Media (Tennessee) LLC ("Tennessee"), which were formed on January 7, 1998. Louisiana and Tennessee acquired a 76% interest and 24% interest, respectively, in Renaissance Media LLC ("Media") from Morgan Stanley Capital Partners III, Inc. ("MSCP"), on February 13, 1998 through an acquisition of entities under common control accounted for as if it were a pooling of interests. As a result, Media became a subsidiary of Group and Holdings. Group and its aforementioned subsidiaries are collectively referred to as the "Company". On April 9, 1998, the Company acquired (the "Acquisition") six cable television systems (the "Systems") from TWI Cable, Inc. ("TWI Cable"), a subsidiary of Time Warner Inc. ("Time Warner"). See Note 3. Prior to this Acquisition, the Company had no operations other than start-up related activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

During fiscal 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133").

FAS 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The Company will adopt FAS 133 as of January 1, 2000. The impact of the adoption on the Company's consolidated financial statements is not expected to be material.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

CONCENTRATION OF CREDIT RISK

A significant portion of the customer base is concentrated within the local geographical area of each of the individual cable television systems. The Company generally extends credit to customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. Management does not believe that there is any significant credit risk which could have a material effect on the Company's financial condition.

REVENUE AND COSTS

Subscriber fees are recorded as revenue in the period the related services are provided and advertising revenues are recognized in the period the related advertisements are exhibited. Rights to exhibit programming are purchased from various cable networks. The costs of such rights are generally expensed as the related services are made available to subscribers.

RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

ADVERTISING COSTS

Advertising costs are expensed upon the first exhibition of the related advertisements. Advertising expense amounted to \$491 in 1998.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at purchased and capitalized cost. Capitalized internal costs principally, consist of employee costs and interest on funds borrowed during construction. Capitalized labor, materials and associated overhead amounted to approximately \$1,429 in 1998. Replacements, renewals and improvements to installed cable plant are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 1998 amounted to \$7,314. Property, plant and equipment is depreciated using the straight-line method over the following estimated service lives:

Buildings and leasehold improvements.....	5 - 30 years
Cable systems, equipment and subscriber devices.....	5 - 30 years
Transportation equipment.....	3 - 5 years
Furniture, fixtures and office equipment.....	5 - 10 years

Property, plant and equipment at December 31, 1998 consisted of:

Land.....	\$ 432
Buildings and leasehold improvements.....	1,347
Cable systems, equipment and subscriber devices.....	62,740
Transportation equipment.....	2,181
Furniture, Fixtures and office equipment.....	904
Construction in progress.....	3,642
	-----
	71,246
Less: accumulated depreciation.....	(7,294)
	-----
Total.....	\$63,952
	=====

CABLE TELEVISION FRANCHISES AND INTANGIBLE ASSETS

Cable television franchise costs include the assigned fair value, at the date of acquisition, of the franchises from purchased cable television systems. Intangible assets include goodwill, deferred financing and other intangible assets. Cable television franchises and intangible assets are amortized using the straight-line method over the following estimated useful lives:

Cable television franchises.....	15 years
Goodwill.....	25 years
Deferred financing and other intangible assets.....	2 - 10 years

RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

Intangible assets at December 31, 1998 consisted of:

Goodwill.....	\$ 8,608
Deferred Financing Costs.....	8,323
Other intangible assets.....	628
	-----
	17,559
Less: accumulated amortization.....	(1,059)
	-----
Total.....	\$16,500
	=====

The Company periodically reviews the carrying value of its long-lived assets, including property, plant and equipment, cable television franchises and intangible assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash inflows attributable to the asset, less estimated future cash outflows, is less than the carrying amount, an impairment loss is recognized to the extent that the carrying value of such asset is greater than its fair value.

ESTIMATES USED IN FINANCIAL STATEMENT PRESENTATION

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ACQUISITIONS

TWI CABLE

On April 9, 1998, the Company acquired six cable television systems from TWI Cable. The systems are clustered in southern Louisiana, western Mississippi and western Tennessee. This Acquisition represented the first acquisition by the Company. The purchase price for the systems was \$309,500 which was paid as follows: TWI Cable received \$300,000 in cash, inclusive of an escrow deposit of \$15,000, and a \$9,500 (9,500 units) equity interest in Renaissance Media Holdings LLC, the parent company of Group. In addition to the purchase price, the Company incurred approximately \$1,385 in transaction costs, exclusive of financing costs.

The Acquisition was accounted for using the purchase method and, accordingly, results of operations are reported from the date of the Acquisition (April 9, 1998). The excess of the purchase price over the estimated fair value of the tangible assets acquired has been allocated to cable television franchises and goodwill in the amount of \$235,387 and \$8,608, respectively.

DEFFNER CABLE

On August 31, 1998, the Company acquired the assets of Deffner Cable, a cable television company located in Gadsden, Tennessee. The purchase price was \$100 and was accounted for using the purchase method. The allocation of the purchase price is subject to change, although management does not believe that any material adjustment to such allocation is expected.

BAYOU VISION, INC.

On February 3, 1999, Media acquired the cable television assets of Bayou Vision, Inc. and Gulf South Cable, Inc. serving approximately 1,950 subscribers in the Villages of Estherwood, Morse and Mermentau and Acadia and Livingston Parish, Louisiana. The cash purchase price was approximately \$2,700 and was paid out of available Company funds.

RENAISSANCE MEDIA GROUP LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
DECEMBER 31, 1998  
(ALL DOLLAR AMOUNTS IN THOUSANDS)

Unaudited Pro Forma summarized results of operations for the Company for the year ended December 31, 1998 and 1997, assuming the Acquisition, Notes (as hereinafter defined) offering and Credit Agreement (as hereinafter defined) had been consummated on January 1, 1998 and 1997, are as follows:

YEAR ENDED DECEMBER 31 -	-----	1997	1998	-
	---			---
Revenues.....		\$ 50,987	\$ 56,745	
Expenses.....				
53,022	55,210	-----	-----	Operating (loss)
income.....		(2,035)	1,535	
	Interest expense and other			
expenses.....		(19,740)	(19,699)	-----
	- - -----			Net
(Loss).....		\$(21,775)	\$(18,164)	=====

#### 4. DEBT

As of December 31, 1998, debt consisted of:

10.00% Senior Discount Notes at Accreted Value(a).....	\$107,374
Credit Agreement(b).....	102,500
	-----
	\$209,874
	=====

(a) On April 9, 1998, in connection with the Acquisition described in Note 3, the Company issued \$163,175 principal amount at maturity, \$100,012 initial accreted value, of 10.00% senior discount notes due 2008 ("Notes"). The Notes pay no interest until April 15, 2003. From and after April 15, 2003 the Notes will bear interest, payable semi-annually in cash, at a rate of 10% per annum on April 15 and October 15 of each year, commencing October 15, 2003. The Notes are due on April 15, 2008.

(b) On April 9, 1998, Renaissance Media entered into a credit agreement among Morgan Stanley & Co. Incorporated as Placement Agent, Morgan Stanley Senior Funding Inc., as Syndication Agent, the Lenders, CIBC Inc., as Documentation Agent and Bankers Trust Company as Administrative Agent (the "Credit Agreement"). The aggregate commitments under the Credit Agreement total \$150,000, consisting of a \$40,000 revolver, \$60,000 Tranche A Term Loans and \$50,000 Tranche B Term Loans (collectively the "Term Loans"). The revolving credit and term loans are collateralized by a first lien position on all present and future assets and the member's interest of Media, Louisiana and Tennessee. The Credit Agreement provides for interest at varying rates based upon various borrowing options and the attainment of certain financial ratios and for commitment fees of 1/2% on the unused portion of the revolver. The effective interest rate, including commitment fees and amortization of related deferred financing costs and the interest-rate cap, for the year ended December 31, 1998 was 8.82%.

On April 9, 1998, \$110,000 was borrowed under the Credit Agreement's Tranche A and B Term Loans. On June 23, 1998, \$7,500 was repaid resulting in \$102,500 of outstanding Tranche A and B Term Loans as of December 31, 1998.

As of December 31, 1998, the Company had unrestricted use of the \$40,000 revolver. No borrowings had been made by the Company under the revolver through that date.

RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

Annual maturities of borrowings under the Credit Agreement for the years ending December 31 are as follows:

1999.....	\$ 776
2000.....	1,035
2001.....	2,701
2002.....	9,506
2003.....	11,590
2004.....	11,590
Thereafter.....	65,302
	-----
	102,500
Less: Current portion.....	(776)
	-----
	\$101,724
	=====

The Credit Agreement and the Indenture pursuant to which the Notes were issued contain restrictive covenants on the Company and subsidiaries regarding additional indebtedness, investment guarantees, loans, acquisitions, dividends and merger or sale of the subsidiaries and require the maintenance of certain financial ratios.

Total interest cost incurred for the year ended December 31, 1998, including commitment fees and amortization of deferred financing and interest-rate cap costs was \$14,358, net of capitalized interest of \$42.

#### 5. INTEREST RATE-CAP AGREEMENT

The Company purchases interest-rate cap agreements that are designed to limit its exposure to increasing interest rates and are designated to its floating rate debt. The strike price of these agreements exceeds the current market levels at the time they are entered into. The interest rate indices specified by the agreements have been and are expected to be highly correlated with the interest rates the Company incurs on its floating rate debt. Payments to be received as a result of the specified interest rate index exceeding the strike price are accrued in other assets and are recognized as a reduction of interest expense (the accrual accounting method). The cost of these agreements is included in other assets and amortized to interest expense ratably during the life of the agreement. Upon termination of an interest-rate cap agreement, any gain is deferred in other liabilities and amortized over the remaining term of the original contractual life of the agreement as a reduction of interest expense.

On December 1, 1997, the Company purchased an interest-rate cap agreement from Morgan Stanley Capital Services Inc. The carrying value as of December 31, 1998 was \$47. The fair value of the interest-rate cap, which is based upon the estimated amount that the Company would receive or pay to terminate the cap agreement as of December 31, 1998, taking into consideration current interest rates and the credit worthiness of the counterparties, approximates its carrying value.

The following table summarizes the interest-rate cap agreement:

NOTIONAL  
 INITIAL  
 PRINCIPAL  
 EFFECTIVE  
 TERMINATION  
 CONTRACT  
 FIXED RATE  
 AMOUNT  
 TERM DATE  
 DATE COST  
 (PAY RATE)  
 - - - - -  
 - - - - -  
 - - - - -  
 - - - - -  
 - - - - -  
 - - - - -

\$100,000 2  
years  
12/1/97  
12/1/99  
\$100 7.25%

F-128



RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

6. TAXES

For the year ended December 31, 1998, the provision for income taxes has been calculated on a separate company basis. The components of the provision for income taxes are as follows:

YEAR ENDED DECEMBER 31, 1998 -----	Federal:
Current.....	\$ --
Deferred.....	-- State:
Current.....	135
Deferred.....	-- ---- Provision for income
taxes.....	\$135 =====

The Company's current state tax liability results from its obligation to pay franchise tax in Tennessee and Mississippi and tax on capital in New York.

The Company has a net operating loss ("NOL") carryforward for income tax purposes which is available to offset future taxable income. This NOL totals approximately \$14,900 and expires in the year 2018. The Company has established a valuation allowance to offset the entire potential future tax benefit of the NOL carryforward and, therefore, has recognized no deferred tax asset with respect to the NOL.

Louisiana and Tennessee have elected to be treated as corporations for federal income tax purposes and have not recorded any tax benefit for their losses as the realization of these losses by reducing future taxable income in the carry forward period is uncertain at this time.

7. RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS WITH MORGAN STANLEY ENTITIES

In connection with the Acquisition, Media entered into the Credit Agreement with Morgan Stanley Senior Funding Inc. and Morgan Stanley & Co. Incorporated acted as the Placement Agent for the Notes. In connection with these services the Morgan Stanley Entities received customary fees and expense reimbursement.

(b) TRANSACTIONS WITH TIME WARNER AND RELATED PARTIES

In connection with the Acquisition, Media entered into an agreement with Time Warner, pursuant to which Time Warner manages the Company's programming in exchange for providing the Company access to certain Time Warner programming arrangements.

(c) Transactions with Management

Prior to the consummation of the Acquisition described in Note 3, Media paid fees in 1998 to six senior executives of the Company who are investors in the Company (the "Management Investors") for services rendered prior to their employment by Media relating to the Acquisition and the Credit Agreement. These fees totaled \$287 and were recorded as transaction and financing costs.

RENAISSANCE MEDIA GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 DECEMBER 31, 1998  
 (ALL DOLLAR AMOUNTS IN THOUSANDS)

## (d) DUE TO MANAGEMENT INVESTORS

Prior to the formation of the Company, the Management Investors advanced \$1,000 to Holdings, which was used primarily for working capital purposes. Upon formation of the Company, Holdings contributed certain assets and liabilities to Group and the \$1,000 advance from the Management Investors was recorded as paid in capital.

## (e) TRANSACTIONS WITH BOARD MEMBER

The Company has utilized the law firm of one of its board members for legal services for the Acquisition, financing agreements and various ongoing legal matters. These fees totaled approximately \$1,348 for the year ended December 31, 1998.

## 8. ACCRUED EXPENSES

Accrued expenses as of December 31, 1998 consist of the following:

Accrued programming costs.....	\$1,986
Accrued interest.....	1,671
Accrued franchise fees.....	1,022
Accrued legal and professional fees.....	254
Accrued salaries, wages and benefits.....	570
Accrued property and sales tax.....	637
Other accrued expenses.....	530
	-----
	\$6,670
	=====

## 9. EMPLOYEE BENEFIT PLAN

Effective April 9, 1998, the Company began sponsoring a defined contribution plan which covers substantially all employees (the "Plan"). The Plan provides for contributions from eligible employees up to 15% of their compensation. The Company's contribution to the Plan is limited to 50% of each eligible employee's contribution up to 10% of his or her compensation. The Company has the right in any year to set the amount of the Company's contribution percentage. Company matching contributions to the Plan for the year ended December 31, 1998 were approximately \$97. All participant contributions and earnings are fully vested upon contribution and company contributions and earnings vest 20% per year of employment with the Company, becoming fully vested after five years.

## 10. COMMITMENTS AND CONTINGENCIES

## (a) LEASES

The Company had rental expense under various lease and rental agreements primarily for offices, tower sites and warehouses of approximately \$125 in 1998. In addition, the Company rents utility poles in its operations generally under short term arrangements, but the Company expects these arrangements to recur.

RENAISSANCE MEDIA GROUP LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
DECEMBER 31, 1998  
(ALL DOLLAR AMOUNTS IN THOUSANDS)

Total rent expense for utility poles was approximately \$620 in 1998. Future minimum annual rental payments under noncancellable leases are as follows:

1999.....	\$162
2000.....	38
2001.....	24
2002.....	20
2003 and thereafter.....	66
	----
Total.....	\$310
	====

(b) EMPLOYMENT AGREEMENTS

Media has entered into employment agreements with six senior executives who are also investors in Holdings. Under the conditions of five of the agreements the employment term is five years, expiring in April 2003 and requires Media to continue salary payments (including any bonus) through the term if the executive's employment is terminated by Media without cause, as defined in the employment agreement. Media's obligations under the employment agreements may be reduced in certain situations based on actual operating performance relative to the business plan, death or disability or by actions of the other senior executives.

The employment agreement for one senior executive has a term of one year and may be renewed annually. This agreement has been renewed through April 8, 2000.

(c) OTHER AGREEMENTS

In exchange for certain flexibility in establishing cable rate pricing structures for regulated services that went into effect on January 1, 1996, Time Warner agreed with the Federal Communications Commission ("FCC") to invest in certain upgrades to its cable infrastructure (consisting primarily of materials and labor in connection with the plant upgrades up to 750 megahertz) by 1999 (approximately \$23 million). This agreement with the FCC has been assumed by the Company as part of the Acquisition.

11. SUBSEQUENT EVENT

On February 23, 1999, Holdings entered into an agreement with Charter Communications, LLC and Charter Communications, Inc., to sell 100% of its members' equity in the Company for approximately \$459,000, subject to certain closing conditions. This transaction is expected to close during the third quarter of 1999.

12. YEAR 2000 ISSUES (UNAUDITED)

The Company relies on computer systems, related software applications and other control devices in operating and monitoring all major aspects of its business, including, but not limited to, its financial systems (such as general ledger, accounts payable, payroll and fixed asset modules), subscriber billing systems, internal networks and telecommunications equipment. The Company also relies, directly and indirectly, on the external systems of various independent business enterprises, such as its suppliers and financial organizations, for the accurate exchange of data.

The Company continues to assess the likely impact of Year 2000 issues on its business operations, including its material information technology ("IT") and non-IT applications. These material applications

RENAISSANCE MEDIA GROUP LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
DECEMBER 31, 1998  
(ALL DOLLAR AMOUNTS IN THOUSANDS)

include all billing and subscriber information systems, general ledger software, payroll systems, accounting software, phone switches and certain headend applications, all of which are third party supported.

The Company believes it has identified all systems that may be affected by Year 2000 Issues. Concurrent with the identification phase, the Company is securing compliance determinations relative to all identified systems. For those systems that the Company believes are material, compliance programs have been received or such systems have been certified by independent parties as Year 2000 compliant. For those material systems that are subject to compliance programs, the Company expects to receive Year 2000 certifications from independent parties by the second quarter 1999. Determinations of Year 2000 compliance requirements for less mission critical systems are in progress and are expected to be completed in the second quarter of 1999.

With respect to third parties with which the Company has a material relationship, the Company believes its most significant relationships are with financial institutions, who receive subscriber monthly payments and maintain Company bank accounts, and subscriber billing and management systems providers. We have received compliance programs which if executed as planned should provide a high degree of assurance that all Year 2000 issues will be addressed by mid 1999.

The Company has not incurred any material Year 2000 costs to date, and excluding the need for contingency plans, does not expect to incur any material Year 2000 costs in the future because most of its applications are maintained by third parties who have borne Year 2000 compliance costs.

The Company cannot be certain that it or third parties supporting its systems have resolved or will resolve all Year 2000 issues in a timely manner. Failure by the Company or any such third party to successfully address the relevant Year 2000 issues could result in disruptions of the Company's business and the incurrence of significant expenses by the Company. Additionally, the Company could be affected by any disruption to third parties with which the Company does business if such third parties have not successfully addressed their Year 2000 issues.

Failure to resolve Year 2000 issues could result in improper billing to the Company's subscribers which could have a major impact on the recording of revenue and the collection of cash as well as create significant customer dissatisfaction. In addition, failure on the part of the financial institutions with which the Company relies on for its cash collection and management services could also have a significant impact on collections, results of operations and the liquidity of the Company.

The Company has not yet finalized contingency plans necessary to handle the most likely worst case scenarios. Before concluding as to possible contingency plans, the Company must determine whether the material service providers contemplate having such plans in place. In the event that contingency plans from material service providers are not in place or are deemed inadequate, management expects to have such plans in place by the third quarter of 1999.

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
TWI Cable, Inc.

We have audited the accompanying combined balance sheet of the Picayune MS, Lafourche LA, St. Tammany LA, St. Landry LA, Pointe Coupee LA, and Jackson TN cable television systems, (collectively, the "Combined Systems") included in TWI Cable, Inc. ("TWI Cable"), as of April 8, 1998, and the related combined statements of operations, changes in net assets and cash flows for the period from January 1, 1998 through April 8, 1998. These combined financial statements are the responsibility of the Combined Systems' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Combined Systems, included in TWI Cable, at April 8, 1998, and the combined results of their operations and their cash flows for the period from January 1, 1998 through April 8, 1998, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

New York, New York  
February 22, 1999

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

COMBINED BALANCE SHEET  
 (IN THOUSANDS)

APRIL 8, 1998 ----- ASSETS	Cash and cash equivalents.....	\$ 7	
	Receivables, less allowance of \$116.....	576	Prepaid expenses and other assets.....
	Property, plant and equipment, net.....	35,992	Cable television franchises, net.....
	Goodwill and other intangibles, net.....	50,023	----- Total assets.....
	=====	LIABILITIES AND NET ASSETS	Accounts payable.....
	63	Accrued programming expenses.....	978
	616	Accrued franchise fees.....	Subscriber advance payments and deposits.....
	593	Deferred income taxes.....	61,792
		Other liabilities.....	747
		----- Total liabilities.....	64,789
		Total net assets.....	218,154
		----- Total liabilities and net assets.....	\$282,943 =====

See accompanying notes to combined financial statements.  
 F-134

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

COMBINED STATEMENT OF OPERATIONS  
 (IN THOUSANDS)

FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH APRIL 8, 1998 -  
 -----

REVENUES.....			
	\$15,221		
COSTS AND EXPENSES: Operating and programming.....		3,603	
Selling, general and administrative.....	4,134		Depreciation
			and amortization..... 5,031
			(Gain) on disposal of fixed
assets.....	(96)		----- Total costs
and expenses.....		12,672	-----
			Operating
income.....		2,549	
			Provision for income
taxes.....	1,191		----- Net
income.....			income..... \$
	1,358	=====	

See accompanying notes to combined financial statements.  
 F-135

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

COMBINED STATEMENT OF CHANGES IN NET ASSETS  
(IN THOUSANDS)

Balance at December 31, 1997.....	\$224,546
Repayment of advances from Parent.....	(17,408)
Advances from Parent.....	9,658
Net income.....	1,358
	-----
Balance at April 8, 1998.....	\$218,154
	=====

See accompanying notes to combined financial statements.

F-136



PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

COMBINED STATEMENT OF CASH FLOWS  
 (IN THOUSANDS)

FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH APRIL 8,  
 1998 ----- OPERATING ACTIVITIES: Net  
 income.....  
 \$ 1,358 Adjustments for noncash and nonoperating items:  
     Income tax  
     expense..... 1,191  
         Depreciation and  
     amortization..... 5,031 (Gain)  
     on disposal of fixed assets.....  
     (96) Changes in operating assets and liabilities:  
 Receivables, prepaids and other assets.....  
     289 Accounts payable, accrued expenses and other  
 liabilities.....  
     (770) Other balance sheet  
 changes..... (4) ----- Net  
     cash provided by  
 operations..... 6,999 -----  
     INVESTING ACTIVITIES: Capital  
 expenditures.....  
     (613) ----- Net cash used in investing  
     activities..... (613) -----  
 FINANCING ACTIVITIES: Net repayment of advances from  
 Parent..... (7,750) ----- Net cash  
 (used in) financing activities.....  
     (7,750) INCREASE IN CASH AND CASH  
 EQUIVALENTS..... (1,364) CASH AND  
 CASH EQUIVALENTS AT BEGINNING OF PERIOD.....  
 1,371 ----- CASH AND CASH EQUIVALENTS AT END OF  
 PERIOD..... \$ 7 =====

See accompanying notes to combined financial statements.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The cable television systems operating in the metropolitan areas of Picayune, Mississippi; Lafourche, Louisiana; St. Tammany, Louisiana; St. Landry, Louisiana; Pointe Coupee, Louisiana; and Jackson, Tennessee (the "Combined Systems") are principally engaged in the cable television business under non-exclusive franchise agreements, which expire at various times beginning in 1999. The Combined Systems' operations consist primarily of selling video programming which is distributed to subscribers for a monthly fee through a network of coaxial and fiber-optic cables.

Prior to January 4, 1996, the Combined Systems were included in certain subsidiaries of Cablevision Industries Corporation ("CVI"). On January 4, 1996, CVI merged into a wholly owned subsidiary of Time Warner Inc. (the "CVI Merger"). On October 1, 1996, Time Warner Inc. ("Time Warner") completed a reorganization amongst certain of its wholly owned cable television subsidiaries whereby CVI was renamed TWI Cable Inc. ("TWI Cable").

BASIS OF PRESENTATION

TWI Cable has sold the Combined Systems to Renaissance Media Holdings LLC ("Renaissance") pursuant to an Asset Purchase Agreement with Renaissance, dated November 14, 1997 (see Note 8). Accordingly, the accompanying combined financial statements of the Combined Systems reflect the "carved out" historical financial position, results of operations, cash flows and changes in net assets of the operations of the Combined Systems as if they had been operating as a separate company. Effective as of January 1, 1996, the Combined Systems' financial statements reflect the new basis of accounting arising from Time Warner's merger with CVI. Based on Time Warner's allocation of the purchase price, the assets and liabilities of the Combined Systems were revalued resulting in goodwill allocated to the Combined Systems of approximately \$52,971,000, which is being amortized over its estimated life of 40 years. In addition, approximately \$220,981,000 was allocated to cable television franchises and other intangible assets, which is being amortized over periods up to 20 years.

The combined statements have been adjusted to include the allocation of certain corporate expenses incurred by Time Warner Cable and/or TWI Cable on the Combined Systems' behalf, based upon the number of Combined System subscribers managed by Time Warner Cable and the ratio of Combined System subscribers to total TWI Cable subscribers, respectively. These allocations reflect all costs of doing business that the Combined Systems would have incurred on a stand alone basis as disclosed in Note 3. Management believes that these allocations are reasonable.

BASIS OF COMBINATION

The combined financial statements include the assets, liabilities, revenues, expenses, income, loss and cash flows of the Combined Systems, as if the Combined Systems were a single company. Significant intercompany accounts and transactions between the Combined Systems have been eliminated. Significant accounts and transactions with Time Warner and its affiliates are disclosed as related party transactions (see Note 3).

USE OF ESTIMATES

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and footnotes thereto. Actual results could differ from those estimates.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

CONCENTRATION OF CREDIT RISK

A significant portion of the customer base is concentrated within the local geographical area of each of the individual cable television systems. The Combined Systems generally extend credit to customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. Management does not believe that there is any significant credit risk which could have a material effect on the financial condition of the Combined Systems.

REVENUE AND COSTS

Subscriber fees are recorded as revenue in the period the related services are provided and advertising revenues are recognized in the period the related advertisements are exhibited. Rights to exhibit programming are purchased from various cable networks. The costs of such rights are generally expensed as the related services are made available to subscribers.

FRANCHISE FEES

Local governmental authorities impose franchise fees on the cable television systems owned by the Combined Systems ranging up to a federally mandated maximum of 5.0% of gross revenues. On a monthly basis, such fees are collected from the Combined Systems' customers and such fees are not included as revenue or as a franchise fee expense.

ADVERTISING COSTS

Advertising costs are expensed upon the first exhibition of the related advertisements. Advertising expense amounted to \$105,000 for the period from January 1, 1998 through April 8, 1998.

STATEMENT OF CASH FLOWS

The Combined Systems participate in a cash management system with affiliates whereby cash receipts are transferred to a centralized bank account from which centralized payments to various suppliers and creditors are made on behalf of the Combined Systems. The excess of such cash receipts over payments is included in net assets. Amounts shown as cash represent the Combined Systems' net cash receipts not transferred to the centralized account as of December 31, 1996 and 1997. The average net intercompany payable balances was \$166,522,000 for the period from January 1, 1998 through April 8, 1998.

For purposes of this statement, cash and cash equivalents includes all highly liquid investments purchased with original maturities of three months or less.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Additions to property, plant and equipment generally include material, labor, overhead and interest. Depreciation is provided on the straight-line method over estimated useful lives as follows:

Buildings and improvements.....	5-20 years
Cable television equipment.....	5-15 years
Furniture, fixtures and other equipment.....	3-10 years

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Property, plant and equipment consist of:

APRIL 8, 1998 -----	(IN THOUSANDS)	Land
		and
buildings.....	\$ 2,255	Cable television
equipment.....	40,276	Furniture, fixtures and other
equipment.....	2,308	Construction
in progress.....	1,183	-----
depreciation.....	46,022	Less accumulated
	(10,030)	-----
Total.....	\$ 35,992	=====

INTANGIBLE ASSETS

The Combined Systems amortized goodwill over periods up to 40 years and cable television franchises over periods up to 20 years, both using the straight-line method. For the period from January 1, 1998 through April 8, 1998 amortization of goodwill amounted to \$360,000 and amortization of cable television franchises amounted to \$3,008,000. Accumulated amortization of intangible assets amounted to \$28,114,000 at April 8, 1998.

IMPAIRMENT

Management separately reviews the carrying value of acquired long-lived assets for each acquired entity on a quarterly basis to determine whether an impairment may exist. Management considers relevant cash flow and profitability information, including estimated future operating results, trends and other available information, in assessing whether the carrying value of long-lived assets can be recovered. Upon a determination that the carrying value of long-lived assets will not be recovered from the undiscounted future cash flows of the acquired business, the carrying value of such long-lived assets would be considered impaired and would be reduced by a charge to operations in the amount of the impairment. An impairment charge is measured as a deficiency in estimated discounted future cash flows of the acquired business to recover the carrying value related to the long-lived assets.

INCOME TAXES

Income taxes have been provided using the liability method prescribed by FASB Statement No. 109, "Accounting for Income Taxes." Under the liability method, deferred income taxes reflect tax carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statements and income tax purposes, as determined under enacted tax laws and rates.

2. EMPLOYEE BENEFIT PLANS

Following the CVI Merger, the Combined Systems began participation in the Time Warner Cable Pension Plan (the "Pension Plan"), a non-contributory defined benefit pension plan, and the Time Warner Cable Employee Savings Plan (the "Savings Plan") which are administered by a committee appointed by the Board of Representatives of Time Warner Entertainment Company, L.P. ("TWE"), an affiliate of Time Warner, and which cover substantially all employees.

Benefits under the Pension Plan are determined based on formulas which reflect an employee's years of service and compensation levels during the employment period. Pension expense for the period from January 1, 1998 through April 8, 1998 totaled \$61,000.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The Combined Systems' contributions to the Savings Plan are limited to 6.67% of an employee's eligible compensation during the plan year. The Board of Representatives of TWE has the right in any year to set the maximum amount of the Combined Systems' contribution. Defined contribution plan expense for the period from January 1, 1998 through April 8, 1998 totaled \$38,000.

The Combined Systems have no material obligations for other post retirement benefits.

### 3. RELATED PARTIES

In the normal course of conducting business, the Combined Systems had various transactions with Time Warner and its affiliates, generally on terms resulting from a negotiation between the affected units that in management's view resulted in reasonable allocations.

#### PROGRAMMING

Included in the Combined Systems' operating expenses are charges for programming and promotional services provided by Home Box Office, Turner Broadcasting System, Inc. and other affiliates of Time Warner. These charges are based on customary rates and are in the ordinary course of business. These charges totaled \$1,164,000 for the period from January 1, 1998 through April 8, 1998. Accrued related party expenses for these programming and promotional services included in accrued programming expenses approximated \$409,000 for the period from January 1, 1998 through April 8, 1998.

#### MANAGEMENT FEES

TWI Cable entered into a management service arrangement with Time Warner Cable ("TWC"), pursuant to which TWC is responsible for the management and operation of TWI Cable, which includes the Combined Systems. The management fees paid to TWC by TWI Cable are based on an allocation of the corporate expenses of TWC's cable division in proportion to the respective number of subscribers of all cable systems managed by TWC's cable division. The allocation of the TWI Cable management fee to the Combined Systems approximated \$486,000 for the period from January 1, 1998 through April 8, 1998.

Other divisional expenses allocated to the Combined Systems approximated \$299,000 for the period from January 1, 1998 through April 8, 1998.

### 4. INTEREST EXPENSE

Prior to the CVI Merger, the Jackson, Tennessee system was included in Cablevision Industries Limited Partnership and Combined Entities ("CILP"). The Jackson system was charged interest expense in connection with CILP's (a) senior and subordinated bank credit agreements; and (b) senior unsecured subordinated Series A and Series B notes payable to CVI. The remaining five systems comprising the Combined Systems were included in Cablevision Industries of the Southeast, Inc. and Combined Entities ("CIOS"). These systems were charged interest expense in connection with CIOS's (a) bank revolving credit agreement; and (b) junior and senior subordinated debt to CVI.

### 5. INCOME TAXES

Effective January 4, 1996, the Combined Systems are included in the consolidated federal income tax return of Time Warner. Prior to January 4, 1996, the Combined Systems were included in the consolidated

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

federal income tax return of CVI. The provision for income taxes has been calculated on a separate company basis. The components of the provision for income taxes are as follows:

FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH APRIL 8,	
1998 - ----- (IN THOUSANDS) Federal:	
Current.....	\$ --
Deferred.....	962
State:	
Current.....	--
Deferred.....	229
----- Net provision for income	
taxes.....	\$1,191 =====

The Combined Systems did not, and will not, have a tax sharing agreement with either Time Warner, TWI Cable or CVI. Therefore, the Combined Systems have not and will not be compensated for the utilization of the Combined Systems' tax losses, by Time Warner, TWI Cable or CVI. In addition, the Combined Systems have not and will not be required to make payments to either Time Warner or TWI Cable for the current tax provision of the Combined Systems.

The differences between the income tax provision expected at the U.S. federal statutory income tax rate and the total income tax provision are due to nondeductible goodwill amortization and state taxes.

Significant components of the Combined Systems' deferred tax assets and liabilities, as calculated on a separate company basis, are as follows:

APRIL 8, 1998 ----- (IN THOUSANDS) Deferred tax	
liabilities:	
Amortization.....	\$57,817
Depreciation.....	4,181
----- Total gross deferred tax	
liabilities.....	61,998
Deferred tax	
assets: Tax loss	
carryforwards.....	160
Allowance for doubtful	
accounts.....	46
----- Total	
deferred tax assets.....	206
-----	
Net deferred tax liability.....	\$61,792 =====

On a separate company basis, the Combined Systems have tax loss carryforwards of approximately \$400,000 at April 8, 1998. However, if the Combined Systems are acquired in an asset purchase, the tax loss carryforwards, and net deferred tax liabilities relating to temporary differences will not carry over to Renaissance (see Note 8).

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

6. COMMITMENTS AND CONTINGENCIES

The Combined Systems had rental expense of approximately \$244,000 for the period from January 1, 1998 through April 8, 1998 under various lease and rental agreements for offices, utility poles, warehouses and computer equipment. Future minimum annual rental payments under noncancellable leases will approximate \$1,000,000 annually over the next five years.

In exchange for certain flexibility in establishing cable rate pricing structures for regulated services that went into effect on January 1, 1996, TWC has agreed with the Federal Communications Commission ("FCC") to invest in certain upgrades to its cable infrastructure (consisting primarily of materials and labor in connection with the plant upgrades up to 750 megahertz) over the next three years (approximately \$25 million at December 31, 1997). This agreement with the FCC, which extends to the Combined Systems, will be assumed by Renaissance as it relates to the Combined Systems in accordance with the Asset Purchase Agreement.

7. OTHER LIABILITIES

Other liabilities consist of:

APRIL 8, 1998 ----- (IN THOUSANDS)	
Compensation.....	\$279 Data Processing
Costs.....	161 Sales and
other taxes.....	146
	Copyright
Fees.....	35 Pole
Rent.....	93
Other.....	
33 ---- Total.....	\$747 ====

8. SUBSEQUENT EVENT

The sale of the Combined Systems, in connection with the Asset Purchase Agreement with Renaissance, closed on April 9, 1998 at the purchase price of \$309,500,000.

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
TWI Cable Inc.

We have audited the accompanying combined balance sheets of the Picayune MS, Lafourche LA, St. Tammany LA, St. Landry LA, Pointe Coupee LA, and Jackson TN cable television systems, (collectively, the "Combined Systems") included in TWI Cable, Inc. ("TWI Cable"), as of December 31, 1996 and 1997, the related combined statements of operations, changes in net assets and cash flows for the years then ended. In addition, we have audited the combined statement of operations and cash flows for the year ended December 31, 1995 of the Predecessor Combined Systems. These combined financial statements are the responsibility of the Combined Systems' or the Predecessor's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Combined Systems, included in TWI Cable or the Predecessor, at December 31, 1996 and 1997, and the combined results of their operations and their cash flows for the years ended December 31, 1995, 1996 and 1997, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

New York, New York  
March 16, 1998



PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

COMBINED BALANCE SHEETS  
 (IN THOUSANDS)

DECEMBER 31, -	-----	1996	1997	----	--
-- ASSETS					
Cash and cash equivalents..... \$ 570					
\$ 1,371 Receivables, less allowance of \$71 and \$116 for the years ended December 31, 1996 and 1997, respectively..... 794 1,120					
Prepaid expenses and other assets..... 45 183					
Property, plant and equipment, net..... 36,966 36,944					
Cable television franchises, net..... 209,952 198,913					
Goodwill and other intangibles, net..... 51,722 50,383					
----- Total					
assets.....		\$300,049			
\$288,914	=====				
===== LIABILITIES AND NET ASSETS					
Accounts payable..... \$					
1,640 \$ 652					
Accrued programming expenses..... 847 904					
Accrued franchise fees..... 736 835					
Subscriber advance payments and deposits..... 66 407					
Deferred income taxes..... 58,340					
60,601 Other					
liabilities.....					
945 969	-----				
----- Total					
liabilities.....		62,574			
64,368 Total net					
assets.....		237,475			
224,546	-----				
----- Total liabilities and net					
assets.....		\$300,049	\$288,914	=====	
=====					

See accompanying notes to combined financial statements.  
 F-145

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS

COMBINED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, - -----	1995	1996	1997	-----
(PREDECESSOR) (INCLUDED IN TWI CABLE INC.)				
REVENUES.....				
\$43,549 \$47,327 \$50,987 COSTS AND EXPENSES: Operating				
and programming.....	13,010			
12,413 12,101 Selling, general and				
administrative.....	9,977	12,946	13,823	
Depreciation and				
amortization.....	17,610	18,360		
18,697 (Gain) loss on disposal of fixed				
assets.....	-- (244)	620	-----	
----- Total costs and expenses.....				
40,597 43,475 45,241 -----				
Operating				
income.....	2,952			
3,852 5,746 Interest				
expense.....	11,871			
- - - - - (Loss) income before				
income tax (benefit) expense.....	(8,919)	3,852	5,746	
Income tax (benefit)				
expense.....	(3,567)	1,502	2,262	
----- Net (loss)				
income.....	\$(5,352)			
\$ 2,350 \$ 3,484 =====				

See accompanying notes to combined financial statements.  
 F-146

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

COMBINED STATEMENTS OF CHANGES IN NET ASSETS  
 (IN THOUSANDS)

Contribution by Parent.....	\$250,039
Repayment of advances from Parent.....	(47,895)
Advances from Parent.....	32,981
Net income.....	2,350
	-----
Balance at December 31, 1996.....	237,475
Repayment of advances from Parent.....	(50,661)
Advances from Parent.....	34,248
Net income.....	3,484
	-----
Balance at December 31, 1997.....	\$224,546
	=====

See accompanying notes to combined financial statements.

F-147

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS

COMBINED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, - -----	1995	1996	1997	-----
(PREDECESSOR) (INCLUDED IN TWI CABLE INC.) OPERATING ACTIVITIES: Net (loss)				
income.....				
\$(5,352) \$ 2,350 \$ 3,484 Adjustments for noncash and nonoperating items: Income tax (benefit)				
expense.....	(3,567)	1,502	2,262	
Depreciation and amortization.....				
17,610 18,360 18,697 (Gain) loss on disposal of fixed assets.....	-- (244)	620		
Changes in operating assets and liabilities: Receivables, prepaids and other assets.....	(196)	944	(464)	
Accounts payable, accrued expenses and other liabilities.....	(972)			
176 (466) Other balance sheet changes.....	-- --	(529)		
----- Net cash provided by operations.....	7,523	23,088		
23,604 INVESTING ACTIVITIES: Purchase of Predecessor cable systems, net of cash acquired.....	-- (249,473)	--		
Capital expenditures.....	(7,376)	(8,170)	(6,390)	
----- Net cash used in investing activities.....	(7,376)	(257,643)		
(6,390) FINANCING ACTIVITIES: Advance from Parent for purchase of Predecessor.....	-- 250,039	--		
Net repayment of advances from Parent.....	-- (14,914)	(16,413)		
----- Net cash provided by (used in) financing activities.....	-- 235,125	(16,413)		
INCREASE IN CASH AND CASH EQUIVALENTS.....	147	570	801	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	419	0		
570 ----- CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 566	\$		
570 \$ 1,371 =====				

See accompanying notes to combined financial statements.  
 F-148

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The cable television systems operating in the metropolitan areas of Picayune, Mississippi; Lafourche, Louisiana; St. Tammany, Louisiana; St. Landry, Louisiana; Pointe Coupee, Louisiana; and Jackson, Tennessee (the "Combined Systems") are principally engaged in the cable television business under non-exclusive franchise agreements, which expire at various times beginning in 1999. The Combined Systems' operations consist primarily of selling video programming which is distributed to subscribers for a monthly fee through a network of coaxial and fiber-optic cables.

Prior to January 4, 1996, the Combined Systems were included in certain subsidiaries of Cablevision Industries Corporation ("CVI"). On January 4, 1996, CVI merged into a wholly owned subsidiary of Time Warner Inc. (the "CVI Merger"). On October 1, 1996, Time Warner Inc. ("Time Warner") completed a reorganization amongst certain of its wholly owned cable television subsidiaries whereby CVI was renamed TWI Cable Inc. ("TWI Cable").

BASIS OF PRESENTATION

TWI Cable has committed to sell the Combined Systems to Renaissance Media Holdings LLC ("Renaissance") pursuant to an Asset Purchase Agreement with Renaissance, dated November 14, 1997. Accordingly, the accompanying combined financial statements of the Combined Systems reflect the "carved out" historical financial position, results of operations, cash flows and changes in net assets of the operations of the Combined Systems as if they had been operating as a separate company. Effective as of January 1, 1996, the Combined Systems' financial statements reflect the new basis of accounting arising from Time Warner's merger with CVI. Based on Time Warner's allocation of the purchase price, the assets and liabilities of the Combined Systems were revalued resulting in goodwill allocated to the Combined Systems of approximately \$52,971,000, which is being amortized over its estimated life of 40 years. In addition, approximately \$220,981,000 was allocated to cable television franchises and other intangible assets, which is being amortized over periods up to 20 years. The Combined Systems' financial statements through December 31, 1995 reflect the historical cost of their assets and liabilities and results of their operations.

The combined statements have been adjusted to include the allocation of certain corporate expenses incurred by Time Warner Cable and/or TWI Cable on the Combined Systems' behalf, based upon the number of Combined System subscribers managed by Time Warner Cable and the ratio of Combined System subscribers to total TWI Cable subscribers, respectively. These allocations reflect all costs of doing business that the Combined Systems would have incurred on a stand alone basis as disclosed in Note 3. Management believes that these allocations are reasonable.

BASIS OF COMBINATION

The combined financial statements include the assets, liabilities, revenues, expenses, income, loss and cash flows of the Combined Systems, as if the Combined Systems were a single company. Significant intercompany accounts and transactions between the Combined Systems have been eliminated. Significant accounts and transactions with Time Warner and its affiliates are disclosed as related party transactions (see Note 3).

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

USE OF ESTIMATES

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and footnotes thereto. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

A significant portion of the customer base is concentrated within the local geographical area of each of the individual cable television systems. The Combined Systems generally extend credit to customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. Management does not believe that there is any significant credit risk which could have a material effect on the financial condition of the Combined Systems.

REVENUE AND COSTS

Subscriber fees are recorded as revenue in the period the related services are provided and advertising revenues are recognized in the period the related advertisements are exhibited. Rights to exhibit programming are purchased from various cable networks. The costs of such rights are generally expensed as the related services are made available to subscribers.

FRANCHISE FEES

Local governmental authorities impose franchise fees on the cable television systems owned by the Combined Systems ranging up to a federally mandated maximum of 5.0% of gross revenues. On a monthly basis, such fees are collected from the Combined Systems' customers. Prior to January 1997, franchise fees were not separately itemized on customers' bills. Such fees were considered part of the monthly charge for basic services and equipment, and therefore were reported as revenue and expense in the Combined Systems' financial results. Management began the process of itemizing such fees on all customers' bills beginning in January 1997. In conjunction with itemizing these charges, the Combined Systems began separately collecting the franchise fee on all revenues subject to franchise fees. As a result, such fees are no longer included as revenue or as franchise fee expense. The net effect of this change is a reduction in 1997 revenue and franchise fee expense of approximately \$1,500,000 versus the comparable period in 1996.

ADVERTISING COSTS

Advertising costs are expensed upon the first exhibition of the related advertisements. Advertising expense amounted to \$308,000, \$632,000 and \$510,000 for the years ended 1995, 1996 and 1997, respectively.

STATEMENT OF CASH FLOWS

The Combined Systems participate in a cash management system with affiliates whereby cash receipts are transferred to a centralized bank account from which centralized payments to various suppliers and creditors are made on behalf of the Combined Systems. The excess of such cash receipts over payments is included in net assets. Amounts shown as cash represent the Combined Systems' net cash receipts not transferred to the centralized account as of December 31, 1996 and 1997. The average net intercompany payable balances were \$173,348,000 and \$170,438,000 for the years ended December 31, 1996 and 1997, respectively.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

For purposes of this statement, cash and cash equivalents includes all highly liquid investments purchased with original maturities of three months or less.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Additions to property, plant and equipment generally include material, labor, overhead and interest. Depreciation is provided on the straight-line method over estimated useful lives as follows:

Buildings and improvements.....	5-20 years
Cable television equipment.....	5-15 years
Furniture, fixtures and other equipment.....	3-10 years

Property, plant and equipment consist of:

DECEMBER 31, -----	1996	1997	----	----
	- Land and			
buildings.....				
	\$ 2,003	\$ 2,265	Cable television	
equipment.....				32,324
	39,589	Furniture, fixtures and other		
equipment.....			1,455	2,341
		Construction in		
progress.....				5,657
	1,028	-----	41,439	45,223 Less
		accumulated		
depreciation.....				
	(4,473)	(8,279)	-----	-----
Total.....				
	\$36,966	\$36,944	=====	=====

INTANGIBLE ASSETS

During 1996 and 1997, the Combined Systems amortized goodwill over periods up to 40 years and cable television franchises over periods up to 20 years, both using the straight-line method. Prior to the CVI Merger, goodwill and cable television franchises were amortized over 15 years using the straight-line method. For the years ended 1995, 1996, and 1997, amortization of goodwill amounted to \$8,199,000, \$1,325,000, and \$1,325,000, respectively, and amortization of cable television franchises amounted to \$1,284,000, \$11,048,000, and \$11,048,000, respectively. Accumulated amortization of intangible assets at December 31, 1996 and 1997 amounted to \$12,373,000 and \$24,746,000, respectively.

IMPAIRMENT

Management separately reviews the carrying value of acquired long-lived assets for each acquired entity on a quarterly basis to determine whether an impairment may exist. Management considers relevant cash flow and profitability information, including estimated future operating results, trends and other available information, in assessing whether the carrying value of long-lived assets can be recovered. Upon a determination that the carrying value of long-lived assets will not be recovered from the undiscounted future cash flows of the acquired business, the carrying value of such long-lived assets would be considered impaired and would be reduced by a charge to operations in the amount of the impairment. An impairment charge is measured as a deficiency in estimated discounted future cash flows of the acquired business to recover the carrying value related to the long-lived assets.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
(INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES

Income taxes have been provided using the liability method prescribed by FASB Statement No. 109, "Accounting for Income Taxes." Under the liability method, deferred income taxes reflect tax carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statements and income tax purposes, as determined under enacted tax laws and rates.

2. EMPLOYEE BENEFIT PLANS

Following the CVI Merger, the Combined Systems began participation in the Time Warner Cable Pension Plan (the "Pension Plan"), a non-contributory defined benefit pension plan, and the Time Warner Cable Employee Savings Plan (the "Savings Plan") which are administered by a committee appointed by the Board of Representatives of Time Warner Entertainment Company, L.P. ("TWE"), an affiliate of Time Warner, and which cover substantially all employees.

Benefits under the Pension Plan are determined based on formulas which reflect an employee's years of service and compensation levels during the employment period. Pension expense for the years ended December 31, 1996 and 1997 totaled \$184,000 and \$192,000, respectively.

The Combined Systems' contributions to the Savings Plan are limited to 6.67% of an employee's eligible compensation during the plan year. The Board of Representatives of TWE has the right in any year to set the maximum amount of the Combined Systems' contribution. Defined contribution plan expense for the years ended December 31, 1996 and 1997 totaled \$107,000 and \$117,000, respectively.

Prior to the CVI Merger, substantially all employees were eligible to participate in a profit sharing plan or a defined contribution plan. The profit sharing plan provided that the Combined Systems may contribute, at the discretion of their board of directors, an amount up to 15% of compensation for all eligible participants out of its accumulated earnings and profits, as defined. Profit sharing expense amounted to approximately \$31,000 for the year ended December 31, 1995.

The defined contribution plan contained a qualified cash or deferred arrangement pursuant to Internal Revenue Code Section 401(k). This plan provided that eligible employees may contribute from 2% to 10% of their compensation to the plan. The Combined Systems matched contributions of up to 4% of the employees' compensation. The expense for this plan amounted to approximately \$96,000 for the year ended December 31, 1995.

The Combined Systems have no material obligations for other post retirement benefits.

3. RELATED PARTIES

In the normal course of conducting business, the Combined Systems had various transactions with Time Warner and its affiliates, generally on terms resulting from a negotiation between the affected units that in management's view resulted in reasonable allocations.

PROGRAMMING

Included in the Combined Systems' 1996 and 1997 operating expenses are charges for programming and promotional services provided by Home Box Office, Turner Broadcasting System, Inc. and other affiliates of Time Warner. These charges are based on customary rates and are in the ordinary course of business. For the year ended December 31, 1996 and 1997, these charges totaled \$3,260,000 and \$3,458,000, respectively. Accrued related party expenses for these programming and promotional services included in accrued



PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

programming expenses approximated \$327,000 and \$291,000 for the years ended December 31, 1996 and 1997, respectively. There were no such programming and promotional service related party transactions in 1995.

MANAGEMENT FEES

TWI Cable entered into a management service arrangement with Time Warner Cable ("TWC"), pursuant to which TWC is responsible for the management and operation of TWI Cable, which includes the Combined Systems. The management fees paid to TWC by TWI Cable are based on an allocation of the corporate expenses of TWC's cable division in proportion to the respective number of subscribers of all cable systems managed by TWC's cable division. The allocation of the TWI Cable management fee to the Combined Systems approximated \$1,432,000 and \$1,715,000 for the years ended December 31, 1996 and 1997, respectively.

Other divisional expenses allocated to the Combined Systems approximated \$1,301,000 and \$1,067,000 for the years ended December 31, 1996 and 1997, respectively.

4. INTEREST EXPENSE

Prior to the CVI Merger, the Jackson, Tennessee system was included in Cablevision Industries Limited Partnership and Combined Entities ("CILP"). The Jackson system was charged interest expense in connection with CILP's (a) senior and subordinated bank credit agreements; and (b) senior unsecured subordinated Series A and Series B notes payable to CVI. The remaining five systems comprising the Combined Systems were included in Cablevision Industries of the Southeast, Inc. and Combined Entities ("CIOS"). These systems were charged interest expense in connection with CIOS's (a) bank revolving credit agreement; and (b) junior and senior subordinated debt to CVI.

5. INCOME TAXES

Effective January 4, 1996, the Combined Systems are included in the consolidated federal income tax return of Time Warner. Prior to January 4, 1996, the Combined Systems were included in the consolidated federal income tax return of CVI. The provision (benefit) for income taxes has been calculated on a separate company basis. The components of the provision (benefit) for income taxes are as follows:

YEAR ENDED DECEMBER 31, -----			
----- 1995 1996 1997 ----			
-- ---- (IN THOUSANDS) FEDERAL:			
Current.....	\$ --	\$ --	\$ --
Deferred.....	(2,881)	1,213	1,826
Current.....			
Deferred.....	(686)	289	436
Net provision (benefit) for income taxes.....	\$ (3,567)	\$ 1,502	\$ 2,262
	=====	=====	=====
	=====		

The Combined Systems did not, and will not, have a tax sharing agreement with either Time Warner, TWI Cable or CVI. Therefore, the Combined Systems have not and will not be compensated for the utilization of the Combined Systems' tax losses, by Time Warner, TWI Cable or CVI. In addition, the

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Combined Systems have not and will not be required to make payments to either Time Warner or TWI Cable for the current tax provision of the Combined Systems.

The differences between the income tax provision (benefit) expected at the U.S. federal statutory income tax rate and the total income tax provision (benefit) are due to nondeductible goodwill amortization and state taxes.

Significant components of the Combined Systems' deferred tax assets and liabilities, as calculated on a separate company basis, are as follows:

YEAR ENDED DECEMBER 31, -----		
---- 1996 1997 ----	(IN THOUSANDS)	
	DEFERRED TAX LIABILITIES:	
Amortization.....		
	\$61,266	\$58,507
Depreciation.....		
3,576 4,060	----- Total gross	
	deferred tax	
liabilities.....	64,842	
62,567	----- DEFERRED TAX ASSETS:	
	Tax loss	
carryforwards.....	6,474	
1,920	Allowance for doubtful	
accounts.....	28	46
	-----	
Total deferred tax assets.....	6,502	
1,966	----- Net deferred tax	
liability.....	\$58,340	\$60,601
	=====	=====

On a separate company basis, the Combined Systems have tax loss carryforwards of approximately \$4.8 million at December 31, 1997. However, if the Combined Systems are acquired in an asset purchase, the tax loss carryforwards, and net deferred tax liabilities relating to temporary differences will not carry over to Renaissance (see Note 8).

#### 6. COMMITMENTS AND CONTINGENCIES

The Combined Systems had rental expense of approximately \$642,000, \$824,000, and \$843,000 for the years ended December 31, 1995, 1996 and 1997, respectively, under various lease and rental agreements for offices, utility poles, warehouses and computer equipment. Future minimum annual rental payments under noncancellable leases will approximate \$1,000,000 annually over the next five years.

In exchange for certain flexibility in establishing cable rate pricing structures for regulated services that went into effect on January 1, 1996, TWC has agreed with the Federal Communications Commission ("FCC") to invest in certain upgrades to its cable infrastructure (consisting primarily of materials and labor in connection with the plant upgrades up to 750 megahertz) over the next three years (approximately \$22 million). This agreement with the FCC, which extends to the Combined Systems, will be assumed by Renaissance as it relates to the Combined Systems in accordance with the Asset Purchase Agreement.

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,  
 POINTE COUPEE LA, AND JACKSON TN CABLE TELEVISION SYSTEMS  
 (INCLUDED IN TWI CABLE INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

7. OTHER LIABILITIES

Other liabilities consist of:

DECEMBER 31, -----	1996	1997	----	----	(IN
	THOUSANDS)				
Compensation.....					
	\$217	\$250	Data Processing		
Costs.....				100	90
and other taxes.....					101
		90	Copyright		
Fees.....				85	83
		Pole			
Rent.....					66
		63			
Other.....					
	376	393	----	----	
Total.....					
	\$945	\$969	====	====	

8. SUBSEQUENT EVENT (UNAUDITED)

The sale of the Combined Systems, in connection with the Asset Purchase Agreement with Renaissance, closed on April 9, 1998 at the purchase price of \$309,500,000.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Greater Media, Inc.:

We have audited the accompanying combined statements of income, changes in net assets and cash flows of Greater Media Cablevision Systems (see Note 1) (collectively, the "Combined Systems") included in Greater Media, Inc., for the nine months ended June 30, 1999. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the results of operations of the Combined Systems and their cash flows for the nine months ended June 30, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
March 6, 2000

## GREATER MEDIA CABLEVISION SYSTEMS

COMBINED STATEMENT OF INCOME  
(IN THOUSANDS)

NINE MONTHS ENDED JUNE 30, 1999 -----

REVENUES.....			
	\$62,469	-----	OPERATING EXPENSES:
Operating.....	26,248		General and
	administrative.....	9,150	
Corporate charges- related party.....	3,175		Depreciation and
	amortization.....	7,398	-----
	45,971	-----	Income from
operations.....		16,498	-----
	OTHER EXPENSE: Interest expense,		
	net.....	(705)	
Other.....			
	(365)	-----	INCOME BEFORE PROVISION IN LIEU OF INCOME
TAXES.....	15,428		PROVISION IN LIEU OF INCOME
TAXES.....	6,646	-----	NET
INCOME.....			\$
	8,782	=====	

The accompanying notes are an integral part of these combined statements.

GREATER MEDIA CABLEVISION SYSTEMS  
COMBINED STATEMENT OF CHANGES IN NET ASSETS  
(IN THOUSANDS)

BALANCE, September 30, 1998.....	\$54,131
Net income.....	8,782
Provision in lieu of income taxes.....	6,646
Net payments to affiliates.....	(34)
	-----
BALANCE, June 30, 1999.....	\$69,525
	=====

The accompanying notes are an integral part of these combined statements.  
F-158

## GREATER MEDIA CABLEVISION SYSTEMS

COMBINED STATEMENT OF CASH FLOWS  
(IN THOUSANDS)

NINE MONTHS ENDED JUNE 30, 1999 ----- CASH FLOWS  
FROM OPERATING ACTIVITIES: Net  
income.....  
\$ 8,782 Adjustments to reconcile net income to net  
cash provided by operating activities -- Depreciation  
and amortization..... 7,398  
Provision in lieu of income  
taxes..... 6,646 Loss on sale of  
fixed assets..... 465 Changes in  
assets and liabilities -- Accounts receivable, prepaid  
expenses and other current  
assets..... (1,431)  
Other assets.....  
10 Accounts payable and accrued  
expenses..... (178) Customers' prepayments  
and deferred installation  
revenue.....  
218 ----- Net cash provided by operating  
activities..... 21,910 ----- CASH FLOWS FROM  
INVESTING ACTIVITIES: Capital  
expenditures.....  
(13,797)  
Other.....  
(512) ----- Net cash used in investing  
activities..... (14,309) ----- CASH FLOWS  
FROM FINANCING ACTIVITIES: Net payments to  
affiliates..... (34) -----  
-- Net cash used in financing activities.....  
(34) ----- NET INCREASE IN CASH AND CASH  
EQUIVALENTS..... 7,567 CASH AND CASH  
EQUIVALENTS, beginning of period..... 4,080 -  
----- CASH AND CASH EQUIVALENTS, end of  
period..... \$ 11,647 ===== CASH PAID  
FOR NON-AFFILIATE INTEREST..... \$  
264 =====

The accompanying notes are an integral part of these combined statements.

GREATER MEDIA CABLEVISION SYSTEMS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, Basis of Presentation and Operations

Greater Media Cablevision Systems is comprised of the following Massachusetts-based cable television systems: Auburn, Boylston, Chicopee, Dudley, East Longmeadow, Easthampton, Grafton, Hampden, Holden, Leicester, Ludlow, Millbury, Northborough, Northbridge, Oxford, Paxton, Southampton, Southborough, Southbridge, Spencer, Sturbridge, Upton, Webster, West Boylston, West Brookfield, Westborough, Wilbraham and Worcester (the "Combined Systems"). The Combined Systems are wholly-owned by Greater Media Cablevision, Inc. (the "Company"). The combined financial statements do not include the accounts of Greater Philadelphia Cablevision, Inc. or Greater Philadelphia Cablevision Limited Partnership, which are also wholly-owned by the Company. The Company is a wholly-owned subsidiary of Greater Media, Inc. (the "Parent"). On June 30, 1999, Charter Communications Entertainment I, LLC, an indirect subsidiary of Charter Communications Holdings Company, LLC purchased the Combined Systems for an aggregate purchase price of \$500 million plus a working capital adjustment (the "Charter Sale"). Effective with this change of ownership, the Combined Systems will be managed by Charter Investment, Inc.

Significant intercompany accounts and transactions between the Combined Systems have been eliminated in the combined financial statements.

The Combined Systems primarily provide cable television services to subscribers in central and western Massachusetts.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Property, Plant and Equipment

Maintenance and repair costs are expensed when incurred. For financial reporting purposes, depreciation is provided on the straight-line method based on the following estimated useful lives:

Land improvements.....	20 years
Furniture, fixtures and equipment.....	3-15 years
Buildings.....	15-40 years
Trunk and distribution systems.....	7-12 years

Depreciation expense for the nine months ended June 30, 1999, was \$7,343.

Intangible Assets

Intangible assets consist primarily of goodwill, which is amortized over forty years, and costs incurred in obtaining and renewing cable franchises, which are amortized over the life of the respective franchise agreements. Amortization expense for the nine months ended June 30, 1999, was \$55.

Revenues

Cable television revenues from basic and premium services are recognized when the related services are provided.



## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

## Segments

Segments have been identified based upon management responsibility. The Company operates in one segment, cable services.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. INCOME TAXES

The Combined Systems are included in the consolidated federal income tax return of the Parent. The Parent is responsible for tax payments applicable to the Combined Systems. The combined financial statements reflect a provision in lieu of income taxes as if the Combined Systems were filing on a separate company basis. Accordingly, the Combined Systems have included the provision in lieu of income taxes as a component of net assets.

The provision in lieu of income taxes approximates the amount of tax computed using U.S. statutory rates, after reflecting state income tax expense.

## 3. RELATED PARTY TRANSACTIONS

The Company and each of its subsidiaries are guarantors of the Parent's debt.

The combined statements include charges for certain corporate expenses incurred by the Parent on behalf of the Combined Systems. Such charges amounted to \$3,175 for the nine months ended June 30, 1999. Management believes that this cost is reasonable and reflects costs of doing business that the Combined Systems would have incurred on a stand-alone basis.

## 4. EMPLOYEE BENEFIT PLANS

## 401(k) Plan

The Combined Systems' employees participate in the Greater Media, Inc. 401(k) Plan (the "401(k) Plan"). Employees that qualify for participation can contribute up to 12% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Combined Systems' contribute an amount equal to 50% of the participant's contribution, limited to the lesser of 3% of the participant's compensation or \$1 per year. In connection with the Charter Sale, all employees became fully vested. Following the Charter Sale, the Company's 401(k) plan was merged into Charter Communication, Inc.'s.

The Combined Systems expense relating to the 401(k) Plan for the nine months ended June 30, 1999, was \$123.

## PENSION

Certain employees of the Combined Systems participate in a pension plan sponsored by the Parent. The Combined Systems allocable share of the pension expense amounted to \$57 for the nine months ended June 30, 1999. As a result of the Charter Sale, the Combined Systems' employees became fully vested with respect to their plan benefits. No additional benefits will accrue to such employees in the future. In addition,

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

the Parent is responsible for the allocable pension liability and will continue to administer the plan on behalf of the Combined Systems' employees.

## 5. COMMITMENTS AND CONTINGENCIES

## Leases

The Combined Systems lease certain facilities and equipment under noncancelable operating leases. Rent expense incurred for the nine months ended June 30, 1999, was \$249.

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the nine months ended June 30, 1999, was \$479.

## Litigation

The Combined Systems are a party to lawsuits that arise in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Combined Systems' combined financial position or results of operations.

## Regulation in the Cable Television Industry

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Combined Systems cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. The Combined Systems may be required to refund additional amounts in the future.

The Combined Systems believe that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Combined Systems are unable to justify its basic rates. The Combined Systems are unable to estimate at this time the amount of refunds, if any, that may be payable by the Combined Systems in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Combined Systems do not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Combined Systems.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Combined Systems do not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Combined Systems' financial position or results of operations.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

F-163

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Greater Media, Inc.:

We have audited the accompanying combined balance sheets of Greater Media Cablevision Systems (see Note 1) (collectively, the "Combined Systems") included in Greater Media, Inc., as of September 30, 1998 and 1997, and the related combined statements of income, changes in net assets, and cash flows for each of the three years in the period ended September 30, 1998. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Combined Systems, as of September 30, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1998, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Roseland, New Jersey  
March 2, 1999

## GREATER MEDIA CABLEVISION SYSTEMS (SEE NOTE 1)

COMBINED BALANCE SHEETS  
(IN THOUSANDS)

SEPTEMBER 30, -----	1998	1997	-----	-----
Current assets: Cash and cash equivalents.....			\$ 4,080	\$ 3,680
Accounts receivable (less allowance for doubtful accounts of \$308 (unaudited), \$244 and \$337).....	2,755	2,739		
Prepaid expenses and other current assets.....	2,746	1,949		
-----				
Total current assets.....	9,581	8,368		
Property and equipment, net.....	54,468	41,971		
Intangible assets, net.....	2,690	1,647		
Other assets.....				
-----				
Total assets.....	\$66,816	\$52,089		
Current liabilities: Accounts payable and accrued expenses.....			\$ 7,125	\$ 5,299
Customers' prepayments and deferred installation revenue.....				
-----				
Total current liabilities.....	9,035	7,114		
Other long-term liabilities.....	3,650	3,920		
-----				
Total liabilities and net assets.....	\$66,816	\$52,089		
-----				

The accompanying notes are an integral part of these combined balance sheets.

## GREATER MEDIA CABLEVISION SYSTEMS (SEE NOTE 1)

COMBINED STATEMENTS OF INCOME  
(IN THOUSANDS)

YEAR ENDED SEPTEMBER 30, -	1998	1997	1996	----	----	----	NET
REVENUES.....							
\$77,127	\$73,436	\$66,816					OPERATING
							EXPENSES: Operating
expenses.....							32,665
							31,115 29,460 General and
administrative.....							10,869
							11,211 10,321 Corporate
charges.....							3,888
							3,696 3,365 Depreciation and
amortization.....							8,183 7,368 7,353
-----							55,605 53,390 50,499 -----
							Income from
operations.....							21,522 20,046
							16,317 OTHER INCOME (EXPENSES): Interest expense,
net.....							(504) (307)
							(764)
Other.....							
(532) (957) (366) -----							INCOME BEFORE
PROVISION IN LIEU OF INCOME TAXES.....							20,486
18,782 15,187 Provision in lieu of income taxes (Note							
6).....							8,008 7,964 5,987 -----
							----- Net
income.....							
\$12,478	\$10,818	\$ 9,200					=====

The accompanying notes are an integral part of these combined statements.

## GREATER MEDIA CABLEVISION SYSTEMS (SEE NOTE 1)

COMBINED STATEMENTS OF CHANGES IN NET ASSETS  
(IN THOUSANDS)

TOTAL -----	Balance, September 30,	
1995.....		\$ 42,185 Net
income.....		
	9,200 Provision in lieu of income	
taxes.....	5,987 Net payments to	
affiliates.....		(17,038) -
	----- Balance, September 30,	
1996.....		40,334 Net
income.....		
	10,818 Provision in lieu of income	
taxes.....	7,964 Net payments to	
affiliates.....		(18,061) -
	----- Balance, September 30,	
1997.....		41,055 Net
income.....		
	12,478 Provision in lieu of income	
taxes.....	8,008 Net payments to	
affiliates.....		(7,410) --
	----- Balance, September 30,	
1998.....		\$ 54,131
	=====	

The accompanying notes are an integral part of these combined statements.

## GREATER MEDIA CABLEVISION SYSTEMS (SEE NOTE 1)

COMBINED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

YEAR ENDED SEPTEMBER 30, - -----	1998	1997	1996	Net
income.....	\$12,478	\$10,818	\$ 9,200	Adjustments to reconcile net income to net cash provided by operating activities:
Provision in lieu of income				
taxes.....	8,008	7,964	5,987	
Depreciation and amortization.....	8,183	7,368	7,353	(Gain) loss on sale of fixed assets.....
	300	715	274	Changes in assets and liabilities: Accounts receivable, prepaid expenses and other assets....
	(813)	(1,115)	(498)	Other assets.....
	(30)	(11)		Accounts payable and accrued expenses.....
	1,825	(440)	(1,900)	Customers' prepayments and deferred installation revenue.....
	96	367	94	Customers' deposits and deferred revenue.....
	(270)	(69)	466	Net cash provided by operating activities.....
	29,831	25,578	20,965	Cash flow from investing activities: Capital expenditures.....
	(21,049)	(7,587)	(5,122)	Proceeds from disposition of property and equipment.....
	72	--	128	Purchase of licenses.....
	(1,044)	(99)	--	Net cash used in investing activities.....
	(7,686)	(4,994)	--	Cash flow from financing activities: Net payments to affiliates.....
	(7,410)			Net increase (decrease) in cash and cash equivalents.....
	400			Cash and cash equivalents, beginning of year.....
	3,680	3,849	4,916	Cash and cash equivalents, end of year.....
	\$ 4,080	\$ 3,680	\$ 3,849	Supplemental disclosure of cash flow information: Non-affiliate interest paid during the year.....
	\$ 296	\$ 155	\$ 447	

The accompanying notes are an integral part of these combined statements.



GREATER MEDIA CABLEVISION SYSTEMS  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 (IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION, BASIS OF PRESENTATION AND OPERATIONS

Greater Media Cablevision Systems is the owner and operator of the following Massachusetts-based cable television systems: Auburn, Boylston, Chicopee, Dudley, East Longmeadow, Easthampton, Grafton, Hampden, Holden, Leicester, Ludlow, Millbury, Northborough, Northbridge, Oxford, Paxton, Southampton, Southborough, Southbridge, Spencer, Sturbridge, Upton, Webster, West Boylston, West Brookfield, Westborough, Wilbraham and Worcester ("the Combined Systems"). The Combined Systems are wholly-owned by Greater Media Cablevision, Inc. ("the Company"). The combined financial statements do not include the accounts of Greater Philadelphia Cablevision, Inc. or Greater Philadelphia Cablevision Limited Partnership (the "Philadelphia System"), which are also wholly-owned by the Company. The Company is a wholly-owned subsidiary of Greater Media, Inc. ("the Parent"). In February 1999, the Parent and the Company entered into an agreement ("Sales Agreement") to sell the net assets of the Company including the Combined Systems but excluding the Philadelphia Systems to Charter Communications Holdings, LLC.

Significant intercompany accounts and transactions between the Combined Systems have been eliminated in the combined financial statements. Significant accounts and transactions with the Parent and other affiliates are disclosed as related party transactions (See Note 7).

The Combined Systems primarily provide cable television services to subscribers in central and western Massachusetts.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

Maintenance and repair costs are expensed when incurred. For financial reporting purposes, depreciation is provided on the straight-line method based on the following estimated useful lives:

CLASSIFICATION YEARS	-----	-----	Land
improvements.....			20
Buildings.....			
15-40 Furniture, fixtures and			
equipment.....		3-15	Trunk and
distribution systems.....		7-12	

INTANGIBLE ASSETS

Intangible assets consist primarily of goodwill amortized over forty years and costs incurred in obtaining and renewing cable franchises which are amortized over the life of the respective franchise agreements.

REVENUES

Cable revenues from basic and premium services are recognized when the related services are provided.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

QUARTERLY RESULTS

The financial statements included herein as of December 31, 1998 and for the three months ended December 31, 1998 and 1997 have been prepared by the Company without audit. In the opinion of management, all adjustments have been made which are of a normal recurring nature necessary to present fairly the Combined Systems' financial position as of December 31, 1998 and the results of operations, changes in net assets and cash flows for the three months ended December 31, 1998 and 1997. Certain information and footnote disclosures have been condensed or omitted for these periods. The results for interim periods are not necessarily indicative of results for the entire year.

2. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid and other current assets consist of the following at September 30:

	1998	1997	----	----	Franchise
grant.....					\$1,445 \$
				604 Corporate business	
tax.....					1,015 882
Other.....					286 463
				Prepaid expenses and other current	
assets.....					\$2,746 \$1,949 =====

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	1998	1997	----	----	Land and land
improvements.....					\$ 1,229 \$
				1,134	
Buildings.....					4,521 4,521
				Furniture, fixtures and	
equipment.....					5,503 4,822
				Trunk and	
distribution systems.....					109,253
				97,042 Construction in	
progress.....					9,026 4,450 --
				129,532 111,969 Accumulated	
depreciation.....					(75,064)
(69,998) -----				Property and equipment,	
net.....					\$ 54,468 \$ 41,971
				=====	=====

Depreciation expense for the years ended September 30, 1998, 1997 and 1996 was \$8,081, \$7,337, and \$7,314, respectively. Construction in progress results primarily from costs to upgrade the systems to fiber optic technologies in the areas served by the Combined Systems.

## GREATER MEDIA CABLEVISION SYSTEMS

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 4. INTANGIBLE ASSETS

Intangible assets consist of the following at September 30:

	1998	1997	----	----	
agreements.....					Franchise \$3,230
		\$2,883			Customer
lists.....		1,751			Organization 1,751
expenses.....	146	146			
Goodwill.....					
	2,260	1,510			Covenant not to
compete.....			40	40	-----
		7,427	6,330		Accumulated
amortization.....					4,737
	4,683				Intangible assets,
net.....	\$2,690	\$1,647			=====

Amortization expense for the years ended September 30, 1998, 1997 and 1996 was \$102, \$31 and \$39, respectively.

## 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at September 30:

	1998	1997	----	----	
payable.....					Accounts \$4,733
		\$3,544			Rate refund
liability.....			923	481	Programming
expenses.....	586	557			
Other.....					
	883	717			\$7,125 \$5,299 =====

## 6. INCOME TAXES

The Combined Systems are included in the consolidated federal income tax return of the Parent. However, the Parent is responsible for tax payments applicable to the Combined Systems. The combined financial statements reflect a provision in lieu of income taxes as if the combined systems were filing on a separate company basis. Accordingly, the Combined Systems have included the provision in lieu of income taxes as a component of net assets for all periods presented.

The provision in lieu of income taxes approximates the amount of tax computed using U.S. statutory rates, after reflecting state income tax expense of \$2,053, \$1,924 and \$1,486, for 1998, 1997 and 1996, respectively.

As the Sales Agreement represents a sale of assets, Charter Communications Holdings, LLC will have new tax basis in the Combined Systems' assets and liabilities acquired.

## 7. RELATED PARTY TRANSACTIONS

The Company and each of its subsidiaries are guarantors of the Parent Company's debt.

The combined statements include the charge for certain corporate expenses incurred by the Parent on behalf of the Combined Systems. Such charges amounted to \$3,888, \$3,696, and \$3,365 for the three years

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

ended September 30, 1998, 1997 and 1996. Management believes that these costs are reasonable and reflect costs of doing business that the Combined Systems would have incurred on a stand-alone basis.

The Combined Systems charge an affiliate interest on certain balances, aggregating \$15,000 per year, at an annual rate of 12%. Interest income on such balances amounted to \$1,800 for each of the three years in the period ended September 30, 1998. In addition, the Combined Systems are required to pay the Parent interest on certain balances, at an annual rate of 12%. Interest expense on such balances amounted to \$2,340 for each of these years in the period ended September 30, 1998, all which were due during the periods presented. The amounts described above and certain non-interest bearing amounts due affiliates are included in Net Assets in the Combined Systems balance sheet. As a result of the Sales Agreement, such amounts will be assumed by the Parent. The interest income and expense have been netted in the accompanying statement of operations.

## 8. EMPLOYEE BENEFIT PLAN

## 401(k) PLAN

The Combined Systems' employees participate in the Greater Media, Inc. 401(k) Plan (the "401(k) Plan"). Employees that qualify for participation can contribute up to 12% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Parent contributes an amount equal to 50% of the participant's contribution, limited to the lesser of 3% of the participant's compensation or \$1 per year.

The Combined Systems expense relating to the 401(k) Plan was \$140, \$127, and \$96 in 1998, 1997, and 1996, respectively.

## PENSION

Employees of the Combined Systems participate in a pension plan sponsored by the Parent. The Combined Systems allocable share of the pension expense amounted to \$105, \$204 and \$217 during the years ended September 30, 1998, 1997 and 1996, respectively. As a result of the Sales Agreement, the Combined Systems' employees will be fully vested with respect to their plan benefits, although no additional benefits will accrue to such employees in the future. In addition, the Parent will be responsible for the allocable pension liability (\$838 at September 30, 1998) and will continue to administer the plan on behalf of the Combined Systems' employees after the sale is consummated.

## 9. COMMITMENTS AND CONTINGENCIES

## LEASES

The Company leases certain facilities and equipment under noncancellable operating leases. Leases and rental costs charged to expense for the years ended September 30, 1998, 1997 and 1996, was \$2,124, \$2,133 and \$1,636, respectively. Rent expense incurred under leases for the years ended September 30, 1998, 1997 and 1996, was \$678, \$665 and \$660, respectively. Future minimum lease payments are as follows:

1999.....	\$ 690
2000.....	618
2001.....	524
2002.....	402
2003.....	396
Thereafter.....	3,267

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the years ended September 30, 1998, 1997 and 1996, was \$1,008, \$840 and \$578, respectively.

## LITIGATION

The Company is party to lawsuits that arise in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's combined financial position or results of operations.

## REGULATION IN THE CABLE TELEVISION INDUSTRY

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. The Company may be required to refund additional amounts in the future.

The Combined Systems believe that they have complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if a company is unable to justify its basic rates. The Combined Systems are unable to estimate at this time the amount of refunds, if any, that may be payable by the Combined Systems in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Combined Systems do not believe that the amount of any such refunds would have a material adverse effect on their financial position or results of operations.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Combined Systems cannot predict the ultimate effect of the 1996 Telecom Act on their financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Combined Systems.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation. The Combined Systems are subject to state regulation in Massachusetts.

## 10. SUBSEQUENT EVENT (UNAUDITED)

On June 30, 1999, Charter Communications Entertainment I, LLC, an indirect subsidiary of Charter Communications Holdings Company, LLC purchased the Combined Systems for an aggregate purchase price of \$500 million plus a working capital adjustment. Effective with this change of ownership, the Combined Systems will be managed by Charter Investment, Inc.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Helicon Partners I, L.P.:

We have audited the accompanying combined statements of operations, changes in net assets and cash flows of Helicon Partners I, L.P. and affiliates for the seven months ended July 30, 1999. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the results of operations of Helicon Partners I, L.P. and affiliates and their cash flows for the seven months ended July 30, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
March 6, 2000

HELICON PARTNERS I, L.P. AND AFFILIATES  
COMBINED STATEMENT OF OPERATIONS

SEVEN MONTHS ENDED JULY 30, 1999 -----

REVENUES.....		
	\$ 49,564,581 -----	
	OPERATING EXPENSES: Operating	
expenses.....	16,358,995	
General and administrative expenses.....	13,877,357	Marketing
expenses.....	1,327,669	
Depreciation and amortization.....	16,616,529	Management fee charged by
affiliate.....	2,511,416 -----	
Total operating expenses.....	50,691,966 -----	Operating
income.....	(1,127,385) -----	
	----- INTEREST INCOME (EXPENSE): Interest	
expense.....	(20,681,592)	Interest
income.....	124,486 -	
	----- NET	
LOSS.....	\$(21,684,491) =====	

The accompanying notes are an integral part of these combined statements.



HELICON PARTNERS I, L.P. AND AFFILIATES  
 COMBINED STATEMENT OF CHANGES IN PARTNERS' DEFICIT

PREFERRED CLASS A	
CLASS B CAPITAL	
LIMITED GENERAL	
LIMITED LIMITED	
CONTRIBUTION	
PARTNERS' PARTNERS	
PARTNER PARTNERS	
PARTNER RECEIVABLE	
DEFICIT -----	
-----	
-----	
----- Balance at	
December 31,	
1998.....	
\$8,567,467 \$	
(989,962)	
\$(134,807,570) --	
\$(1,000)	
\$(127,231,065)	
Distribution of	
additional preferred	
partnership	
interests.....	
609,621 (6,097)	
(603,524) -- -- --	
Accretion of	
redeemable	
partnership	
interests.....	
-- (269,961)	
(26,726,132) -- --	
(26,996,093) Capital	
contribution... -- --	
- -- 3,628,250 --	
3,628,250 Net	
loss.....	
-- (216,845)	
(21,467,646) -- --	
(21,684,491) -----	
-----	
-----	
- Balance at July	
30,	
1999.....	
\$9,177,088	
\$(1,482,865)	
\$(183,604,872)	
\$3,628,250 \$(1,000)	
\$(172,283,399)	
=====	
=====	
=====	
=====	
=====	
=====	

The accompanying notes are an integral part of these combined statements.  
 F-177

## HELICON PARTNERS I, L.P. AND AFFILIATES

## COMBINED STATEMENT OF CASH FLOWS

SEVEN MONTHS ENDED JULY 30, 1999 ----- CASH  
 FLOWS FROM OPERATING ACTIVITIES: Net  
 loss.....  
 \$(21,684,491) Adjustments to reconcile net loss to  
 net cash provided by operating activities-  
 Depreciation and  
 amortization..... 16,616,529  
 Amortization of debt discount and deferred financing  
 costs.....  
 2,801,895 Gain on sale of  
 equipment..... (22,536)  
 Interest on 12% subordinated notes paid through the  
 issuance of additional  
 notes..... 2,706,044 Changes in  
 operating assets and liabilities- Receivables from  
 subscribers..... (1,544,469)  
 Prepaid expenses and other assets.....  
 2,773,825 Accounts payable and accrued  
 expenses..... (2,937,602) Subscriptions  
 received in advance..... 803,151  
 Accrued interest.....  
 2,557,212 ----- Net cash provided by operating  
 activities..... 2,069,558 ----- CASH FLOWS  
 FROM INVESTING ACTIVITIES: Purchases of property,  
 plant and equipment..... (6,332,987)  
 Proceeds from sale of  
 equipment..... 32,288 Cash paid  
 for net assets of cable television systems, net of  
 cash acquired.....  
 (6,217,143) Increase in intangible  
 assets..... (487,595) -----  
 ----- Net cash used in investing  
 activities..... (13,005,437) -----  
 CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from  
 bank loans.....  
 13,000,000 Repayments of bank loans and other  
 notes..... (483,178) Capital  
 contribution.....  
 3,628,250 Advances to affiliates,  
 net..... (247,043) Payment  
 of financing costs.....  
 (240,000) ----- Net cash provided by financing  
 activities..... 15,658,029 ----- NET  
 INCREASE IN CASH AND CASH  
 EQUIVALENTS..... 4,722,150 CASH AND  
 CASH EQUIVALENTS, beginning of period.....  
 5,130,561 ----- CASH AND CASH EQUIVALENTS, end  
 of period..... \$ 9,852,711  
 ===== CASH PAID FOR  
 INTEREST..... \$  
 12,582,725 ===== ACQUISITION OF PROPERTY,  
 PLANT AND EQUIPMENT THROUGH THE ISSUANCE OF OTHER  
 NOTES PAYABLE..... \$ 389,223  
 =====

The accompanying notes are an integral part of these combined statements.

## HELICON PARTNERS I, L.P. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

## 1. ORGANIZATION AND OPERATIONS

Helicon Partners I, L.P. ("the Partnership") was organized as a limited partnership under the laws of the State of Delaware. The Partnership owns all of the limited partnership interests in THGLP, representing a 99% ownership, and Baum Investment, Inc. ("Baum"), the general partner of THGLP, owns the 1% general partnership interest in THGLP. The Partnership also owns a 99% interest and THGLP owns a 1% interest in HPI Acquisition Co., LLC ("HPIAC"). The Partnership also owns an 89% limited partnership interest and Baum a 1% general partnership interest in Helicon OnLine, L.P. ("HOL"). The Partnership, THGLP, HPIAC and HOL are referred to collectively herein as the Company.

The Company operates in one business segment offering cable television services in the states of Pennsylvania, West Virginia, North Carolina, South Carolina, Louisiana, Vermont, New Hampshire, Georgia and Tennessee. The Company also offers to customers advanced services, such as paging and private data network systems, including dial up access and a broad range of Internet access services in Pennsylvania and Vermont, dedicated high speed access, high speed cable modem access, world wide web design, and hosting services.

On July 30, 1999, Charter-Helicon, LLC ("Charter-Helicon"), acquired a 1% interest in THGLP previously owned by Baum and became the General Partner of THGLP. Concurrently, Charter-Helicon and Charter Communications, LLC ("CC-LLC"), parent of Charter-Helicon, acquired all of the partnership interests of the Partnership. These transactions are collectively referred to as the "Helicon/Charter Deal" herein. In connection with the Helicon/Charter Deal, \$228,985,000 of cash was paid to the equity holders; Baum retained a \$25,000,000 limited liability company membership interest in Charter-Helicon; debt of \$197,447,000 was repaid; debt of \$115,000,000 was assumed; and other costs totaling \$4,285,000 were incurred by CC-LLC.

The post-closing process associated with the Helicon/Charter Deal has not been finished. Accordingly, the accompanying combined financial statements may not give effect to all adjustments arising from the change of ownership of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Principles of Combination

The accompanying financial statements include the accounts of the Partnership, THGLP, HPIAC and HOL, which have been combined because of common ownership and control. They also reflect the accounts of THGLP's subsidiary, Helicon Capital Corp., which has nominal assets and no operations since its incorporation. All intercompany accounts and transactions have been eliminated in combination.

## Partnership Profits, Losses and Distributions

Under the terms of the partnership agreements of the Partnership and THGLP, profits, losses and distributions will be made to the general and Class A Limited Partners pro-rata based on their respective partnership interest. Holders of Preferred Limited Partnership Interests are entitled to an aggregate preference on liquidation of \$6,250,000 plus cumulative in-kind distributions of additional Preferred Limited Partnership interests at an annual rate of 12%.

## Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

## Revenue Recognition

Revenue is recognized as services are provided to subscribers. Subscription revenues billed in advance for services are deferred and recorded as income in the period in which services are rendered.

## Property, Plant and Equipment

Property, plant and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets.

## Intangible Assets and Deferred Costs

Intangible assets and deferred costs are carried at cost and are amortized using the straight-line method over the estimated useful lives of the respective assets. When changes in events or circumstances warrant, the Company reviews the amortization periods of their intangible assets and deferred costs. The Company evaluates whether there has been a permanent impairment in the value of these assets by considering such factors including the projected undiscounted cash flows, current market conditions and changes in the cable television industry that would impact the recoverability of such assets.

## Income Taxes

No provision for Federal or state income taxes has been made in the accompanying combined financial statements since any liability for such income taxes is that of the partners and not of the Company.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. ACQUISITIONS

On January 7, 1999, THGLP acquired cable television systems serving subscribers in the North Carolina counties of Carter, Johnson and Uicol. The aggregate purchase price was \$5,228,097 and was allocated to the net assets acquired, which included property, plant and equipment and intangible assets, based on their estimated fair values.

On March 1, 1999, HPIAC acquired a cable television system serving subscribers in the communities of Abbeville, Donalds and Due West, South Carolina. The aggregate purchase price was \$723,356 and was allocated to the net assets acquired, which included property, plant and equipment, and intangible assets, based on their estimated fair value.

The operating results relating to the above acquisitions are included in the accompanying combined financial statements from the acquisition dates forward. Pro forma operating results for 1999 as though the acquisitions had occurred on January 1, 1999, would not be materially different than historical operating results.

## 4. TRANSACTIONS WITH AFFILIATES

Amounts due from/to affiliates result from management fees, expense allocations and temporary non-interest bearing loans. The affiliates are related to the Company through common ownership. Effective upon

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

the execution of the Charter/Helicon Deal, Charter Investment, Inc. is the manager of the Company's operations.

The Partnership was managed by Helicon Corp., an affiliated management company. During the seven months ended July 30, 1999, the Partnership was charged a management fee of \$2,511,416. Management fees are calculated based on the gross revenues of the systems.

## 5. SENIOR SECURED NOTES

THGLP and HCC (the "Issuers"), through a private placement offering, issued \$115,000,000 aggregate principal amount of 11% Senior Secured Notes due 2003 (the "Senior Secured Notes"), secured by substantially all the assets of THGLP. Interest is payable on a semi-annual basis in arrears on November 1 and May 1. The discount on the Senior Secured Notes is being amortized over the term of the Senior Secured Notes so as to result in an effective interest rate of 11% per annum.

## 6. LOANS PAYABLE TO BANKS

On January 5, 1999, THGLP entered into a \$12,000,000 Senior Subordinated Loan Agreement with Paribas Capital Funding, LLC (the "1999 Credit Facility"). Initial borrowings of \$7,000,000 under the 1999 Credit Facility financed the acquisition of certain cable television systems in North Carolina. On February 19, 1999, the Company borrowed the remaining \$5,000,000 available under the 1999 Credit Facility. Interest on the 1999 Credit Facility is payable at 11.5% per annum. On July 30, 1999, the amounts outstanding were repaid and the 1999 Credit Facility was terminated in connection with the Helicon/Charter Deal.

## 7. REDEEMABLE PARTNERSHIP INTERESTS

In April 1996, the Partnership sold to unrelated investors, \$34,000,000 aggregate principal amount of 12% Subordinated Notes (the "Subordinated Notes") and warrants (the "Warrants") to purchase 2,419.1 units of Class B Limited Partnership Interests (the "Units").

The Subordinated Notes are subordinated to the senior indebtedness of the Partnership and are due April 1, 2004. Interest is payable semi-annually on each October 1 and April 1 in cash or through the issuance of additional Subordinated Notes, at the option of the Partnership. In the past, the Partnership has elected to satisfy interest due through the issuance of additional Subordinated Notes. The Partnership issued \$2,706,044 of additional Subordinated Notes to pay interest due in April 1999.

Holders of the Warrants had the right to acquire the Units at any time for a price of \$1,500 per Unit. The Partnership estimated the Net Equity Value of the Warrants to be approximately \$43,250,000 at December 31, 1998. The Net Equity Value, pursuant to the terms of the agreement, is the estimated amount of cash that would be available for distribution to the Partnership interests upon a sale of all the assets of the Partnership and its subsequent dissolution and liquidation. Such estimate as of December 31, 1998 reflects the amount that the holders of the Warrants have agreed to accept for their interests assuming a proposed sale of all of the interests of the Partnership is consummated. The increase in the Net Equity Value over the original carrying value of the Warrants is being accreted evenly over the period beginning with the date of the increase through September 2001. Such accretion is being reflected in the accompanying financial statements as an increase in the carrying value of the Warrants and the corresponding reduction in the carrying value of the capital accounts of the General and Class A Limited Partners.

Immediately prior to the closing of the Helicon/Charter Deal, Baum contributed \$3,628,250 to exercise the Warrants and received 2,419.1 Units. This transaction triggered the acceleration of the accretion of the Units to their estimated Net Equity Value. Upon the close of the Charter/Helicon Deal, the holders received \$43,250,000 in exchange for the Units.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

## 8. COMMITMENTS AND CONTINGENCIES

## Leases

The Company leases telephone and utility poles on an annual basis. The leases are self-renewing. Pole rental expenses for the seven months ended July 30, 1999 was \$687.

The Company utilizes certain office space under operating lease agreements, which expire at various dates through August 2013 and contain renewal options. Office rent expense was \$192 for the seven months ended July 30, 1999.

## Litigation

The Company is a party to lawsuits that arise in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's combined financial position or results of operations.

## Regulation in the Cable Television Industry

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Company does not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Company's financial position or results of operations.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

F-183

## INDEPENDENT AUDITORS' REPORT

The Partners  
Helicon Partners I, L.P.:

We have audited the accompanying combined balance sheets of Helicon Partners I, L.P. and affiliates as of December 31, 1997 and 1998, and the related combined statements of operations, changes in partners' deficit, and cash flows for each of the years in the three-year period ended December 31, 1998. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Helicon Partners I, L.P. and affiliates as of December 31, 1997 and 1998 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

New York, New York  
March 26, 1999

F-184



## HELICON PARTNERS I, L.P. AND AFFILIATES

COMBINED BALANCE SHEETS  
DECEMBER 31, 1997 AND 1998

1997	1998	ASSETS (NOTES	
		8 AND 9) Cash and cash equivalents (note	
2)		\$ 4,372,281	\$ 5,130,561
		Receivables from	
		subscribers.....	1,439,720
		1,631,931 Prepaid expenses and other	
		assets.....	2,205,794 3,469,228
		Property, plant and equipment, net (notes 3, 4, and	
11)		80,104,377 86,737,580 Intangible assets and deferred	
		costs, net (notes 3 and	
5)		85,066,665 94,876,847 -----	
		Total assets..... \$	
		173,188,837	\$ 191,846,147 =====
		LIABILITIES AND PARTNERS' DEFICIT Liabilities:	
		Accounts	
		payable.....	\$
		7,416,901	\$ 8,037,193 Accrued
		expenses.....	
		1,539,116	1,589,240 Subscriptions received in
		advance.....	1,018,310 819,564
		Accrued	
		interest.....	
		3,760,360	3,742,456 Due to principal owner (note
7)		5,000,000	5,000,000 Senior
		secured notes (note 8).....	
		115,000,000	115,000,000 Loans payable to banks (note
9)		85,776,641	120,266,922 12%
		subordinated notes, net of unamortized discount of	
		\$2,889,541 in 1997 and \$2,543,869 in 1998 (note	
10)		37,249,948 42,672,085 Redeemable partnership interests	
		(note 10).....	6,437,142 16,253,906 Other
		notes payable (note 11).....	
		5,747,076	5,448,804 Due to affiliates, net (note
6)		71,474	247,042 -----
		- - ----- Total	
		liabilities.....	269,016,968
		319,077,212	----- Commitments
		(notes 8, 9, 10, 11 and 13) Partners' deficit (note	
		12): Preferred limited	
		partners.....	7,649,988
		8,567,467	Accumulated partners'
		deficit.....	(103,477,119)
		(135,797,532) Less capital contribution	
		receivable.....	(1,000) (1,000) -----
		----- Total partners'	
		deficit.....	(95,828,131)
		(127,231,065)	----- Total
		liabilities and partners' deficit..... \$	
		173,188,837	\$ 191,846,147 =====

See accompanying notes to combined financial statements.

## HELICON PARTNERS I, L.P. AND AFFILIATES

COMBINED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

1996	1997	1998	
			-----
Revenues.....			-----
\$ 42,061,537	\$ 59,957,434	\$ 75,576,810	-----
			----- Operating
expenses: Operating expenses (note			
13).....	11,395,509	17,408,265	
22,687,850	General and administrative expenses		
	(notes 6 and		
13).....			
7,244,663	9,762,931	13,365,824	Marketing
expenses.....			expenses..... 1,235,553
2,266,627	3,521,893	Depreciation and	
		amortization.....	12,556,023
19,411,813	24,290,088	Management fee charged by	
		affiliate (note	
6).....			
2,103,077	2,997,872	3,496,271	Corporate and
			other expenses..... 426,672
549,222	602,987		-----
			----- Total operating
expenses.....	34,961,497	52,396,730	
67,964,913			-----
			----- Operating
income.....		7,100,040	
7,560,704	7,611,897		-----
			----- Interest expense (note
			7)..... (17,418,266)
			(23,586,227) (27,633,714) Interest
income.....		563,362	
154,037	92,967		-----
			----- (16,854,904) (23,432,190) (27,540,747)
			----- Loss
			before extraordinary item.....
(9,754,864)	(15,871,486)	(19,928,850)	-----
			----- Extraordinary
			item -- write-off of deferred financing costs
			(note 9)..... -- --
(1,657,320)			-----
			----- Net
loss.....		\$	
(9,754,864)	\$(15,871,486)	\$(21,586,170)	
			=====

See accompanying notes to combined financial statements.

## HELICON PARTNERS I, L.P. AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN PARTNERS' DEFICIT  
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

PARTNERS' DEFICIT -----		
----- PREFERRED CLASS A		
CAPITAL LIMITED	GENERAL LIMITED	
CONTRIBUTION PARTNERS	PARTNER	
PARTNERS RECEIVABLE TOTAL -----		
-----		
----- Balance at		
December 31, 1995..... \$ --		
\$(307,994)	\$ (67,144,287)	\$(1,000)
\$ (67,453,281)	Issuance of	
preferred limited partnership		
interests (note 10)....	6,250,000	
(62,500)	(6,187,500)	-- -- Partner
capital contributions (note		
10).....		
-- 1,500	-- -- 1,500	Distribution
of additional preferred		
partnership interests (note		
10)....	558,430	(5,584)
	(552,846)	
	-- -- Net	
loss.....		
-- (97,549)	(9,657,315)	--
(9,754,864)	-----	
-----		
Balance at December 31,		
1996.....	6,808,430	(472,127)
(83,541,948)	(1,000)	(77,206,645)
Distribution of additional		
preferred partnership interests		
(note 10)....	841,558	(8,416)
(833,142)	-- -- Accretion of	
redeemable partnership interests		
(note 10).....	--	
(27,500)	(2,722,500)	--
	(2,750,000)	Net
loss.....		
-- (158,715)	(15,712,771)	--
(15,871,486)	-----	
-----		
- Balance at December 31,		
1997.....	7,649,988	(666,758)
(102,810,361)	(1,000)	(95,828,131)
Distribution of additional		
preferred partnership interests		
(note 10)....	917,479	(9,175)
(908,304)	-- -- Accretion of	
redeemable partnership interests		
(note 10).....	--	
(98,168)	(9,718,596)	--
	(9,816,764)	Net
loss.....		
-- (215,861)	(21,370,309)	--
(21,586,170)	-----	
-----		
- Balance at December 31,		
1998.....	\$8,567,467	
\$(989,962)	\$(134,807,570)	\$(1,000)
\$(127,231,065)	=====	
=====	=====	=====
=====		

See accompanying notes to combined financial statements.

## HELICON PARTNERS I, L.P. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

1996	1997	1998	
Cash flows from operating activities: Net			
loss.....			
\$ (9,754,864)	\$(15,871,486)	\$(21,586,170)	Adjustments
to reconcile net loss to net cash provided by operating			
activities: Extraordinary			
item.....			-- --
1,657,320			Depreciation and
amortization.....	12,556,023		
19,411,813	24,290,088		Gain on sale of
equipment.....	(20,375)		
(1,069)	(29,323)		Interest on 12% subordinated notes
paid through the issuance of additional			
notes.....	1,945,667	4,193,819	
4,961,241			Interest on other notes payable added to
principal.....	168,328	185,160	-- Amortization of debt
discount and deferred financing			
costs.....			
2,115,392	849,826	919,439	Change in operating assets
and liabilities, net of acquisitions: Decrease			
(increase) in receivables from subscribers...	176,432		
(496,146)	(79,535)		Increase in prepaid expenses and
other assets.....	(269,156)	(976,491)	(1,255,018)
Increase in financing costs incurred.....			
(4,525,331)	(434,000)	(2,200,000)	Increase in accounts
payable and accrued expenses.....			
2,182,762	2,957,524		
681,037			Increase (decrease) in subscriptions received
in advance.....			
119,277	325,815	(208,803)	Increase (decrease) in
accrued interest.....			
1,613,630	376,158		
(17,904)			Total
adjustments.....			
16,062,649	26,392,409	28,718,542	
----- Net cash provided by operating			
activities.....	6,307,785	10,520,923	7,132,372
----- Cash flows from			
investing activities: Purchases of property, plant and			
equipment.....	(8,987,766)	(15,824,306)	
(13,538,978) Proceeds from sale of			
equipment.....	21,947	23,270	
118,953			Cash paid for net assets of cable television
systems			
acquired.....			
(35,829,389)	(70,275,153)	(26,063,284)	Cash paid for
net assets of internet businesses			
acquired.....			
(40,000)	(993,760)	--	Increase in intangible assets and
deferred costs.....			
(127,673)	(308,759)	(183,018)	
----- Net cash used			
in investing activities.....	(44,962,881)		
(87,378,708)	(39,666,327)		
----- Cash flows from financing activities:			
Capital			
contributions.....			
1,500	-- --	Decrease in restricted	
cash.....			
--	1,000,000	--	
Proceeds from issuance of 12% subordinated notes and			
redeemable partnership			
interests.....	34,000,000	-- --	
Proceeds from bank			
loans.....	8,900,000		
77,285,000	104,000,000		Repayment of bank
loans.....	(952,777)		
(1,505,581)	(69,509,719)		Repayment of other notes
payable.....			
(527,514)	(1,145,989)		
(1,362,995) Advances to			
affiliates.....			
(3,207,996)	(3,412,411)	(8,856,491)	Repayments of
advances to affiliates.....			
3,479,336			
2,986,778	9,021,440		
----- Net cash provided by financing			
activities.....	41,692,549	75,207,797	33,292,235
----- Net increase			

(decrease) in cash and cash

equivalents.....			
3,037,453 (1,649,988) 758,280 Cash and cash equivalents			
at beginning of year.....	2,984,816	6,022,269	
4,372,281 -----			Cash
and cash equivalents at end of year.....			
\$ 6,022,269 \$ 4,372,281 \$ 5,130,561 =====			
=====			Supplemental cash flow
information: Interest			
paid.....	\$		
11,575,250 \$ 17,981,264 \$ 21,770,938 =====			
=====			Other non-cash items:
Acquisition of property, plant and equipment through			
issuance of other notes payable.....			
\$ 1,222,000 \$ 917,815 \$ 1,025,319 =====			
=====			Issuance of notes payable in
connection with the acquisition of cable television and			
internet systems, net of imputed			
interest.....	\$ 569,500	\$	
1,914,479 -- =====			

See accompanying notes to combined financial statements.

## HELICON PARTNERS I, L.P. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 1996, 1997 AND 1998

## 1. ORGANIZATION AND NATURE OF BUSINESS

Helicon Partners I, L.P. ("the Partnership") was organized as a limited partnership on November 30, 1994 under the laws of the State of Delaware. On April 8, 1996, Baum Investments, Inc. acquired a 1% general partnership interest in the Partnership through an initial capital contribution of \$1,500 and the existing limited partners of The Helicon Group, L.P. ("THGLP"), formed in 1993, exchanged their limited partnership interests in THGLP for all Class A Common Limited Partnership Interests and Preferred Limited Partnership Interests in the Partnership. As a result of this exchange, THGLP became 99% owned by the Partnership. The Partnership now owns all of the limited partnership interests in THGLP and Baum Investments, Inc. continues to be the general partner of THGLP and to own a 1% general partnership interest in THGLP. The Partnership also owns a 99% interest and THGLP a 1% interest in HPI Acquisition Co., LLC ("HPIAC"), a Delaware limited liability company formed on February 7, 1996. The Partnership also owned an 89% limited partnership interest and Baum Investments, Inc. a 1% general partnership interest in Helicon OnLine, L. P. ("HOL"), a Delaware limited partnership formed May 31, 1997. On June 29, 1998, the net assets of HOL were transferred to THGLP in settlement of the inter-company loans THGLP had made to HOL. The Partnership, THGLP, HPIAC and HOL are referred to collectively herein as the Company.

On March 22, 1999, Helicon Partners I, L. P. (HPI), Baum Investments, Inc. and all the holders of partnership interests in HPI entered into a purchase agreement by and among Charter Communications, Inc, Charter Communications, LLC and Charter Helicon, LLC (collectively the "Charter Entities") providing for the sale of all such partnership interests and Helicon Corp.'s interest in the management agreements with THGLP and HPIAC to the Charter Entities. The sale price is \$550 million which amount will be reduced by any outstanding indebtedness assumed by the Charter Entities.

The Company operates cable television systems located in Pennsylvania, West Virginia, North Carolina, South Carolina, Louisiana, Vermont, New Hampshire, Georgia and Tennessee. The Company also offers a broad range of Internet access service, including dial-up access, dedicated high speed access, both two-way and asymmetrical ("Hybrid"), high speed cable modem access, World Wide Web design and hosting services and other value added services such as paging and private network systems within the Company's cable service and contiguous areas.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## a) PRINCIPLES OF COMBINATION

The accompanying financial statements include the accounts of the Partnership, THGLP and HPIAC and HOL which have been combined because of common ownership and control. They also reflect the accounts of THGLP's subsidiary, Helicon Capital Corp. ("HCC"), which has nominal assets and no operations since its incorporation. All intercompany accounts and transactions have been eliminated in combination.

## b) PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS

Under the terms of the partnership agreements of the Partnership and THGLP, profits, losses and distributions will be made to the general and Class A Limited Partners pro-rata based on their respective partnership interest.

Holders of Preferred Limited Partnership Interests are entitled to an aggregate preference on liquidation of \$6,250,000 plus cumulative in-kind distributions of additional Preferred Limited Partnership interests at an annual rate of 12%.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## c) REVENUE RECOGNITION

Revenue is recognized as services are provided to subscribers. Subscription revenues billed in advance for services are deferred and recorded as income in the period in which services are rendered.

## d) Property, Plant and Equipment

Property, plant and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets.

## e) INTANGIBLE ASSETS AND DEFERRED COSTS

Intangible assets and deferred costs are carried at cost and are amortized using the straight-line method over the estimated useful lives of the respective assets. The Company periodically reviews the amortization periods of their intangible assets and deferred costs. The Company evaluates whether there has been a permanent impairment in the value of these assets by considering such factors including projected undiscounted cash flows, current market conditions and changes in the cable television industry that would impact the recoverability of such assets, among other things.

## f) INCOME TAXES

No provision for Federal or state income taxes has been made in the accompanying combined financial statements since any liability for such income taxes is that of the partners and not of the Partnership or its affiliates. Certain assets have a basis for income tax purposes that differs from the carrying value for financial reporting purposes, primarily due to differences in depreciation methods. As a result of these differences, at December 31, 1997 and 1998 the net carrying value of these assets for financial reporting purposes exceeded the net basis for income tax purposes by approximately \$22 million and \$27 million respectively.

## g) CASH AND CASH EQUIVALENTS

Cash and cash equivalents, consisting of amounts on deposit in money market accounts, checking accounts and certificates of deposit, were \$4,372,281 and \$5,130,561 at December 31, 1997 and 1998, respectively.

## h) USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities to prepare these combined financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

## i) INTEREST RATE CAP AGREEMENTS

The cost paid is amortized over the life of the agreements.

## j) DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, current receivables, notes receivable, accounts payable, and accrued expenses approximate fair values.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## Senior Secured Notes and Long-term Debt

For the Senior Secured Notes, fair values are based on quoted market prices. The fair market value at December 31, 1997 and 1998 was approximately \$123,000,000 and \$120,000,000, respectively. For long-term debt, their values approximate carrying value due to the short-term maturity of the debt and/or fluctuating interest.

## Comprehensive Income

On January 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and net unrealized gains (losses) on securities and is presented in the consolidated statements of stockholder's equity and comprehensive income. The Statement requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations. The Company has no items that qualify as comprehensive income.

## 3. ACQUISITIONS

## Cable Acquisitions

On January 31, 1995, THGLP acquired a cable television system, serving approximately 1,100 (unaudited) subscribers in the Vermont communities of Bradford, South Royalton and Chelsea. The aggregate purchase price was approximately \$350,000 and was allocated to the net assets acquired which included property and equipment and intangible assets.

In June and July, 1996, HPIAC completed the acquisitions of all the operating assets of the cable television systems, serving approximately 26,000 (unaudited) subscribers, in the areas of Jasper and Skyline, Tennessee and Summerville, Trenton, Menlo, Decatur and Chatsworth, Georgia (collectively referred to as the Tennessee cluster).

The aggregate purchase price of \$36,398,889, including acquisition costs of \$742,837, was allocated to the net assets acquired based on their estimated fair value. Such allocation is summarized as follows:

Land.....	\$ 25,000
Cable television system.....	17,876,244
Other property, plant and equipment.....	185,000
Subscriber lists.....	17,474,762
Noncompete agreement.....	1,000
Other intangible assets.....	742,837
Other net operating items.....	94,046
	-----
Total aggregate purchase price.....	\$36,398,889
	=====

A portion of the purchase price was paid through the issuance of notes to the sellers of one of the systems totaling \$750,000. Such notes were reported net of imputed interest of \$180,500 computed at 9% per annum (see note 11).

On January 16, 1997, HPIAC acquired an adjacent cable television system serving approximately 2,256 (unaudited) subscribers in the communities of Ten Mile and Hamilton, Tennessee. The aggregate purchase price was approximately \$2,960,294 and was allocated to the net assets acquired which included property, equipment and intangible assets, based on their estimated fair value.



## HELICON PARTNERS I, L.P. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

On January 31, 1997, THGLP acquired a cable television system, serving approximately 823 (unaudited) subscribers in the West Virginia counties of Wirt and Wood. The aggregate purchase price was approximately \$1,053,457, and was allocated to the net assets acquired which included property, equipment and intangible assets, based on their estimated fair value.

On April 18, 1997, HPIAC acquired a cable television system serving approximately 839 (unaudited) subscribers in the communities of Charleston and Calhoun, Tennessee. The aggregate purchase price was approximately \$1,055,693 and was allocated to the net assets acquired which included property and equipment and intangible assets, based on their estimated fair value.

On June 26, 1997, HPIAC acquired the net assets of cable television systems serving approximately 21,500 (unaudited) subscribers primarily in the North Carolina communities of Avery County and surrounding areas and in the South Carolina community of Anderson County. The aggregate purchase price was approximately \$45,258,279, including acquisition costs of \$547,235, and was allocated to the net assets acquired which included property, plant, equipment and intangible assets, based on their estimated fair value.

On June 26, 1997, THGLP acquired the net assets of a cable television system serving approximately 11,000 (unaudited) subscribers in the North Carolina communities of Watauga County, Blowing Rock, Beech Mountain and the town of Boone. The aggregate purchase price was \$19,947,430 and was allocated to the net assets acquired which included, property, plant, equipment and intangible assets, based on their estimated fair value.

The aggregate purchase price of the 1997 cable acquisitions was \$70,275,153 and was allocated to the net assets acquired based on their estimated fair market value as follows:

Land.....	\$ 158,500
Cable television system.....	21,320,900
Vehicles.....	1,473,600
Computer equipment.....	240,000
Subscriber lists.....	46,925,173
Organization and other costs.....	688,816
Other net operating items.....	(531,836)
	-----
Total aggregate purchase price.....	\$70,275,153
	=====

On December 31, 1998, HPIAC acquired the net assets of cable television systems serving approximately 11,225 (unaudited) subscribers primarily in the North Carolina community of Roanoke Rapids. The aggregate purchase price was \$26,063,284 including acquisition costs of \$535,875 and was allocated to the net assets acquired, which included, property, equipment and intangible assets, based on their estimated fair value.

Land.....	\$ 250,000
Cable television system.....	4,258,000
Other property, plant and equipment.....	1,103,375
Subscriber lists.....	19,805,000
Organization and other costs.....	535,875
Other net operating items.....	111,034
	-----
Total aggregate purchase price.....	\$26,063,284
	=====

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## Internet Acquisitions

On March 22, 1996, THGLP acquired the net assets of a telephone dial-up internet access provider ("ISP") serving approximately 350 (unaudited) customers in and around the area of Uniontown, Pennsylvania. The aggregate purchase price was approximately \$40,000.

On April 1, 1997, the Partnership acquired the net assets of a telephone dial-up ISP serving approximately 2,500 (unaudited) customers in and around the area of Uniontown, Pennsylvania. The aggregate purchase price was \$757,029.

On May 31, 1997, the Partnership acquired the net assets of a telephone dial-up ISP serving approximately 1,800 (unaudited) customers in and around the area of Uniontown, Pennsylvania. The aggregate purchase price was \$213,629.

On November 14, 1997, HOL acquired the net assets of a telephone dial-up ISP serving approximately 1,744 (unaudited) customers in and around the area of Johnstown, Pennsylvania. The aggregate purchase price was \$348,927.

On December 17, 1997, HOL acquired the net assets of a telephone dial-up ISP serving 1,571 (unaudited) customers in and around the area of Plainfield, Vermont. The aggregate purchase price was \$497,307.

On December 17, 1997, HOL acquired the net assets of a telephone dial-up ISP serving approximately 2,110 (unaudited) customers in and around the area of Wells River, Vermont. The aggregate purchase price was \$673,170.

The aggregate purchase price of the 1997 ISP acquisitions was \$2,490,062 and was allocated to the net assets acquired, based on their estimated fair value. Such allocation is summarized as follows:

Internet service equipment.....	\$ 237,064
Customer lists.....	1,409,768
Non-compete Agreement.....	883,097
Other intangible assets.....	35,000
Other net operating items.....	(74,867)
	-----
Total aggregate purchase price.....	\$2,490,062
	=====

A portion of the purchase price was paid through the issuance of notes to the Sellers totaling \$1,801,000. Such notes were reported net of imputed interest of \$304,698 computed at 9% per annum (see Note 11).

The operating results relating to the above acquisitions, effective with their acquisition dates, are included in the accompanying combined financial statements.





## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

and 1998, THGLP was also charged \$980,000, \$713,906, and \$1,315,315, respectively, for certain costs incurred by this related party on their behalf.

In May 1997, immediately after the formation of HOL, HPI sold 10% of its limited partner interest in HOL to certain employees of Helicon Corp. Such interests were sold at HPI's proportionate carrying value of HOL of \$83,631 in exchange for notes receivable from these individuals. These notes are due upon the liquidation of HOL or the sale of all or substantially all of its assets.

On June 26, 1998, the notes were cancelled in consideration of the return by the Helicon employees of their 10% limited partnership interests.

#### 7. DUE TO PRINCIPAL OWNER

Mr. Theodore Baum, directly or indirectly, is the principal owner of 96.17% of the general and limited partnership interests of the Partnership (the "Principal Owner"). Due to Principal Owner consists of \$5,000,000 at December 31, 1997 and 1998 payable by THGLP. Beginning on November 3, 1993, interest on the \$5,000,000 due to the Principal Owner did not accrue and in accordance with the provisions of the Senior Secured Notes was not paid for twenty four months. Interest resumed on November 3, 1995 (see Note 8). The principal may only be repaid thereafter subject to the passage of certain limiting tests under the covenants of the Senior Secured Notes. Prior to the issuance of the Senior Secured Notes, amounts due to Principal Owner bore interest at varying rates per annum based on the prime rate and were due on demand. Interest expense includes \$521,701 in 1996 and \$530,082 in 1997 and \$524,880 in 1998 related to this debt.

#### 8. SENIOR SECURED NOTES

On November 3, 1993, THGLP and HCC (the "Issuers"), through a private placement offering, issued \$115,000,000 aggregate principal amount of 11% Senior Secured Notes due 2003 (the "Senior Secured Notes"), secured by substantially all the assets of THGLP. The Senior Secured Notes were issued at a substantial discount from their principal amount and generated net proceeds to the Issuers of approximately \$105,699,000. Interest is payable on a semi-annual basis in arrears on November 1 and May 1, beginning on May 1, 1994. Until November 1, 1996 the Senior Secured Notes bore interest at the rate of 9% per annum. After November 1, 1996, the Senior Secured Notes bear interest at the rate of 11% per annum. The discount on the Senior Secured Notes has been amortized over the term of the Senior Secured Notes so as to result in an effective interest rate of 11% per annum.

The Senior Secured Notes may be redeemed at the option of the Issuers in whole or in part at any time on or after November 1, 1997 at the redemption price of 108% reducing ratably to 100% of the principal amount, in each case together with accrued interest to the redemption date. The Issuers are required to redeem \$25,000,000 principal amount of the Senior Secured Notes on each of November 1, 2001 and November 1, 2002. The indenture under which the Senior Secured Notes were issued contains various restrictive covenants, the more significant of which are, limitations on distributions to partners, the incurrence or guarantee of indebtedness, the payment of management fees, other transactions with officers, directors and affiliates, and the issuance of certain types of equity interests or distributions relating thereto.

#### 9. LOANS PAYABLE TO BANKS

On July 12, 1996, HPIAC entered into \$85,000,000 of senior secured credit facilities ("Facilities") with a group of banks and The First National Bank of Chicago, as agent. The Facilities were comprised of a \$55,000,000 senior secured two and one-half year revolving credit facility, converting on December 31, 1998 to a five and one-half year amortizing term loan due June 30, 2004 ("Facility A"); and, a \$30,000,000 senior secured, amortizing, multiple draw nine year term loan facility due June 30, 2005 ("Facility B"). The Facilities financed certain permitted acquisitions, transaction expenses and general corporate purposes.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Interest on outstanding borrowings was payable at specified margins over either LIBOR or the higher of the corporate base rate of The First National Bank of Chicago or the rates on overnight Federal funds transactions with members of the Federal Reserve System. The margins varied based on the Company's total leverage ratio, as defined, at the time of an advance. As of December 31, 1997, the amounts outstanding were \$30,000,000 under Facility B and \$35,500,000 outstanding under Facility A. Interest was payable at LIBOR plus 3.50% for Facility B and LIBOR plus 3.00% for Facility A. In addition, HPIAC paid a commitment fee of .5% of the unused balance of the Facilities.

On December 15, 1998, the Facilities were repaid in full together with accrued interest thereon from the proceeds of the new credit agreements (see below).

In connection with the early retirement of the aforementioned bank debt, HPIAC wrote off related unamortized deferred financing costs totaling \$1,657,320. Such amount has been classified as an extraordinary item in the accompanying 1998 combined statement of operations.

In connection with the aforementioned Facilities, HPIAC entered into an interest rate cap agreement to reduce its exposure to interest rate risk. Interest rate cap transactions generally involve the exchange of fixed and floating rate interest payment obligations and provide for a ceiling on interest to be paid, respectively, without the exchange of the underlying notional principal amount. These types of transactions involve risk of counterparty nonperformance under the terms of the contract. At December 31, 1997, HPIAC had cap agreements with aggregate notional amounts of \$42,500,000 expiring through March 29, 2000. On December 15, 1998, in connection with the early retirement of the related bank debt, the cap agreements were terminated and HPIAC wrote off the unamortized costs of these cap agreements.

On December 15, 1998, HPIAC entered into credit agreements with a group of banks and Paribas, as agent, providing maximum borrowings of \$110,000,000 (the 1998 Credit Facilities). The agreements include (i) a senior secured Credit Agreement consisting of a \$35,000,000 A Term Loan, maturing on December 31, 2005, \$45,000,000 B Term Loan, maturing on December 31, 2006 and a \$10,000,000 Revolving Commitment, maturing on December 31, 2005 and (ii) a Loan Agreement consisting of a \$20,000,000 Hybrid Facility, maturing on December 31, 2007.

As of December 31, 1998, the A Term Loan, B Term Loan and Hybrid Facility were fully drawn down and there was nothing outstanding under the Revolving Commitment. The principal cash payments required under the Company's credit agreements for the fiscal years ended December 31, 1999, 2000, 2001, 2002 and 2003 are estimated to aggregate \$0, \$812,500, \$3,950,000, \$5,700,000 and \$7,450,000, respectively.

Interest is payable at LIBOR plus an applicable margin, which is based on a ratio of loans outstanding to annualized EBITDAM, as defined in the agreement and can not exceed 3.00% for A Term Loan and Revolving Commitments, 3.25% for B Term Loan and 4.50% for the Hybrid Facility. In addition, the Company pays a commitment fee of .50% of the unused balance of the Revolving Commitment.

The 1998 Credit Facilities are secured by a first perfected security interest in all of the assets of HPIAC and a pledge of all equity interests of HPIAC. The credit agreement contains various restrictive covenants that include the achievement of certain financial ratios relating to interest, fixed charges, leverage, limitations on capital expenditures, incurrence or guarantee of indebtedness, other transactions with affiliates and distributions to members. In addition, management fees in the aggregate cannot exceed 5% of gross revenues of HPIAC.

On June 26, 1997, THGLP entered into a \$20,000,000 senior secured credit facility with Banque Paribas, as Agent (the 1997 Credit Facility). On January 5, 1999, the 1997 Credit Facility was restated and amended. The facility is non-amortizing and is due November 1, 2000. Borrowings under the facility financed the acquisition of certain cable television assets in North Carolina (see note 3). Interest on the \$20,000,000 outstanding is payable at specified margins over either LIBOR or the rate of interest publicly announced in New York City by The Chase Manhattan Bank from time to time as its prime commercial lending rate. The

## HELICON PARTNERS I, L.P. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

margins vary based on the THGLP's total leverage ratio, as defined, at the time of an advance. Currently interest is payable at LIBOR plus 2.75%.

The 1997 Credit Facility is secured by a first perfected security interest in all of the assets of the Partnership and a pledge of all equity interests of the THGLP. The credit agreement contains various restrictive covenants that include the achievement of certain financial ratios relating to interest, fixed charges, leverage, limitations on capital expenditures, incurrence or guarantee of indebtedness, transactions with affiliates, distributions to members and management fees which accrue at 5% of gross revenues.

Also included in loans payable to banks is a mortgage note of \$266,922 payable to a bank that is secured by THGLP's office building in Vermont. The interest is payable at Prime plus 1% and the mortgage note is due March 1, 2012.

Principal payments on the mortgage note are summarized as follows at December 31, 1998:

YEAR ENDING DECEMBER 31	AMOUNT
1999	\$ 10,581
2000	11,631
2001	12,786
2002	14,055
2003 and thereafter	217,869
	----- \$266,922 =====

## 10. SUBORDINATED NOTES AND REDEEMABLE PARTNERSHIP INTERESTS

In April 1996 the Partnership sold to unrelated investors, \$34,000,000 aggregate principal amount of its 12% Subordinated Notes (the "Subordinated Notes") and warrants to purchase 2,419.1 units (the "Units") of Class B Common Limited Partnership Interests representing in the aggregate 24.191% of the outstanding limited partner interests of the Partnership on a fully diluted basis (the "Warrants"). Of the \$34,000,000 of gross proceeds, \$3,687,142 was determined to be the value of the Warrants, and \$30,312,858 was allocated to the Subordinated Notes. The discount on the Subordinated Notes is being amortized over the term of these Notes.

The Subordinated Notes are subordinated to the senior indebtedness of the Partnership and are due April 1, 2004. Interest is payable semi-annually on each October 1 and April 1 in cash or through the issuance of additional Subordinated Notes, at the option of the Partnership. In October 1996, April 1997, October 1997, April 1998 and October 1998, the Partnership elected to satisfy interest due through the issuance of \$1,945,667, \$2,156,740, \$2,037,079, \$2,408,370 and \$2,552,871, respectively, additional Subordinated Notes. After September 2001, a holder or holders of no less than 33 1/3% of the aggregate principal amount of the Subordinated Notes can require the Partnership to repurchase their Subordinated Notes at a price equal to the principal amount thereof plus accrued interest. The Partnership has an option to redeem the Subordinated Notes at 102% of the aggregate principal amount after the fifth anniversary of their issuance, at 101% of the aggregate principal amount after the sixth anniversary of issuance and at 100% of the aggregate principal amount after the seventh anniversary of issuance.

Holder of the Warrants have the right to acquire the Units at any time for a price of \$1,500 per Unit. After September 2001, a holder or holders of at least 33 1/3% of the Warrants can require the Partnership to either purchase their Warrants at their interest in the Net Equity Value of the Partnership or seek a purchaser for all of the assets or equity interests of the Partnership. Net Equity Value pursuant to the terms of the

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

underlying agreements is the estimated amount of cash that would be available for distribution to the Partnership interests upon a sale of all of the assets of the Partnership and its subsequent dissolution and liquidation. The Net Equity Value is the amount agreed to by the Partnership and 66 2/3% of the holders of the Subordinated Notes and Warrants or, absent such agreement, determined through a specified appraisal process.

The Partnership estimated the Net Equity Value of the Warrants to be approximately \$43,250,000 at December 31, 1998 and \$16,750,000 at December 31, 1997. Such estimate as of December 31, 1998 reflects the amount that the holders of the warrants have agreed to accept for their interests assuming the proposed sale of all of the interests of the partnership is consummated (see note 14). The increase in the estimated Net Equity Value over the original carrying value of the warrants is being accreted evenly over the period beginning with the date of the increase and September 2001. Such accretion is being reflected in the accompanying financial statements as an increase in the carrying value of the Warrants and a corresponding reduction in the carrying value of the capital accounts of the General and Class A Limited Partners.

The agreements underlying the Subordinated Notes and the Warrants contain various restrictive covenants that include limitations on incurrence or guarantee of indebtedness, transactions with affiliates, and distributions to partners. In addition, management fees in the aggregate cannot exceed 5% of gross revenues of the Partnership.

## 11. OTHER NOTES PAYABLE

Other Notes payable consists of the following at December 31:

1997 1998 ---  
----- - ---  
-----

    Promissory  
    note in  
consideration  
    for  
    acquisition  
    of a cable  
    television  
    system,  
    accruing  
    interest at  
10% per annum  
on principal  
and accrued  
    interest  
    which is  
    added to  
principal on  
    certain  
    specified  
    dates;  
    interest  
    becomes  
payable on  
January 1,  
1998 and the  
principal is  
payable in  
    full on  
August 20,  
    2000  
    \$2,036,765  
    \$2,036,765  
Non-interest  
    bearing  
    promissory  
notes issued  
in connection  
    with the  
    acquisition  
    of a cable  
    television  
    system.  
Principal



payments  
 begin on July  
 16, 1997, in  
 the amount of  
 \$70,000 and  
 four  
 installments  
 in the amount  
 of \$170,000  
 on each July  
 16  
 thereafter.  
 Such notes  
 are reported  
 net of  
 imputed  
 interest of  
 \$141,116 and  
 \$101,732 in  
 1997 and  
 1998,  
 respectively,  
 computed at  
 9% per annum  
 538,884  
 408,268 Non-  
 interest  
 bearing  
 promissory  
 notes issued  
 in connection  
 with the  
 acquisitions  
 of the  
 internet  
 businesses.  
 Principal  
 payments are  
 due in  
 January,  
 February, and  
 March of each  
 year and  
 continue  
 quarterly  
 thereafter  
 through June,  
 2001. Such  
 notes are  
 reported net  
 of imputed  
 interest of  
 \$180,727 and  
 \$146,441 in  
 the 1997 and  
 1998,  
 respectively,  
 computed at  
 9% per annum  
 1,398,478  
 1,021,474  
 Installment  
 notes,  
 collateralized  
 by vehicles  
 and other  
 equipment and  
 payable in  
 monthly  
 installments,  
 at interest  
 rates between  
 5.5% to  
 14.25% per  
 annum,  
 through  
 January, 2003  
 1,772,949  
 1,982,297 ---  
 -----  
 -----

\$5,747,076  
\$5,448,804  
=====  
=====

HELICON PARTNERS I, L.P. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Principal payments due on the above notes payable are summarized as follows at December 31, 1998:

YEAR ENDING DECEMBER 31	AMOUNT	
1999.....	\$1,337,476	
2000.....	3,276,529	
2001.....	678,349	
2002.....	140,944	
2003.....	15,506	
		\$5,448,804 =====

12. PARTNERS' DEFICIT

During 1993, the Principal Owner contributed a \$6,500,000 unsecured, non-interest bearing personal promissory note due on demand to the general partner of THGLP. Additionally, the Principal Owner contributed to THGLP an unsecured, non-interest bearing personal promissory note in the aggregate principal amount of \$24,000,000 (together with the \$6,500,000 note, the "Baum Notes"). The Baum Notes have been issued for the purpose of THGLP's credit enhancement. Although the Baum Notes are unconditional, they do not become payable except (i) in increasing amounts presently up to \$19,500,000 and in installments thereafter to a maximum of \$30,500,000 on December 16, 1996 and (ii) at such time after such dates as THGLP's creditors shall have exhausted all claims against THGLP's assets.

13. COMMITMENTS

The Partnership and affiliates leases telephone and utility poles on an annual basis. The leases are self renewing. Pole rental expense for the years ended December 31, 1996, 1997 and 1998 was \$609,075, \$873,264 and \$982,306, respectively.

In connection with certain lease and franchise agreements, the Partnership, from time to time, issues security bonds.

The Partnership and affiliates utilizes certain office space under operating lease agreements which expire at various dates through August 2013 and contain renewal options. At December 31, 1998 the future minimum rental commitments under such leases were as follows:

YEAR ENDING DECEMBER 31		
1999.....	\$ 166,825	
2000.....	142,136	
2001.....	141,727	
2002.....	147,912	
2003.....	151,412	
Thereafter.....	1,418,017	\$2,168,029 =====

Office rent expense was \$102,801 in 1996, \$203,506 in 1997 and \$254,955 in 1998.

## NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

## 14. SUBSEQUENT EVENTS

On March 22, 1999, Helicon Partners I, L. P. (HPI), Baum Investments, Inc. and all the holders of partnership interests in HPI entered into a purchase agreement by and among Charter Communications, Inc, Charter Communications, LLC and Charter Helicon, LLC (collectively the "Charter Entities") providing for the sale of all such partnership interests and Helicon Corp.'s interest in the management agreements with THGLP and HPIAC to the Charter Entities. The sale price is \$550 million which amount will be reduced by any outstanding indebtedness assumed by the Charter Entities.

F-200

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
Rifkin Cable Income Partners L.P.

In our opinion, the accompanying balance sheet and the related statements of operations, of equity and of cash flows present fairly, in all material respects, the financial position of Rifkin Cable Income Partners L.P. (the "Partnership") at September 13, 1999, and the results of its operations and its cash flows for the period January 1, 1999 to September 13, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

On September 13, 1999, all of the Partnership's interest were sold to Charter Communications, LLC. These financial statements represent the Partnership just prior to that transaction and do not reflect any adjustments related thereto.

/s/ PRICEWATERHOUSECOOPERS LLP

Denver, Colorado  
February 15, 2000

F-201

## RIFKIN CABLE INCOME PARTNERS, L.P.

## BALANCE SHEET

SEPTEMBER 13, 1999 ----- ASSETS

Cash.....			
\$ 145,036	Customer accounts receivable, net of allowance for doubtful accounts of		
\$2,349.....	109,874	Accounts receivable, related party.....	7,328
	Accounts receivable, interpartnership.....	13,638,312	Other receivables.....
	96,318	Prepaid expenses and deposits.....	20,920
	Property, plant and equipment, at cost: Transmission and distribution systems and related equipment.....		
	11,038,202	Vehicles, office furniture and fixtures.....	426,977
	Land, buildings and leasehold improvements.....	125,000	Construction in process and spare parts inventory.....
	66,122	-----	
	11,656,301	Less accumulated depreciation.....	(831,684) ---
	Property, plant and equipment, net.....	10,824,617	Franchise costs, net of accumulated amortization of
\$792,708.....			
	12,706,195	-----	Total
	assets.....		
\$37,548,600	=====	LIABILITIES AND EQUITY	
	Liabilities: Accrued		
liabilities.....	\$		
	161,084	Customer deposits and prepayments.....	321,419
	Interpartnership		
debt.....		15,621,000	----
	-----	Total	
liabilities.....			
16,103,503	Commitments and contingencies (Notes 4 and 7) Divisional		
equity.....			
	21,445,097	-----	Total
equity.....			
	21,445,097	-----	Total liabilities and
equity.....	\$37,548,600	=====	

The accompanying notes are an integral part of these financial statements.

F-202

## RIFKIN CABLE INCOME PARTNERS, L.P.

## STATEMENT OF OPERATIONS

PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - -----	
	----- REVENUE
Service.....	
	\$3,533,718 Installation and
other.....	273,757 -----
	--- Total
revenue.....	
	3,807,475 COSTS AND EXPENSES Operating
expense.....	455,528
	Programming
expense.....	862,317
	Selling, general and administrative
expense.....	472,088
Depreciation.....	
	836,050
Amortization.....	
	792,708 Management
fees.....	190,374
	Loss on disposal of
assets.....	52,885 -----
Total costs and expenses.....	
	3,661,950 ----- Operating
income.....	145,525
	Interest
expense.....	536,877
	----- Net
loss.....	\$
	(391,352) =====

The accompanying notes are an integral part of these financial statements.

F-203

## RIFKIN CABLE INCOME PARTNERS, L.P.

## STATEMENT OF EQUITY

PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - ----		
-----	DIVISIONAL EQUITY	
TOTAL -----	Equity	
contribution.....		
	\$21,836,449	\$21,836,449 Net
loss.....		
(391,352) (391,352) -----	Equity,	
September 13, 1999.....		
	\$21,445,097	\$21,445,097 =====

The accompanying notes are an integral part of these financial statements.

F-204



## RIFKIN CABLE INCOME PARTNERS, L.P.

## STATEMENT OF CASH FLOWS

PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - -----

----- CASH FLOWS FROM OPERATING ACTIVITIES  
Net

loss.....		
\$ (391,352) Adjustments to reconcile net loss to net cash provided by operating activities: Depreciation and amortization.....	1,628,758	
Loss on disposal of fixed assets.....	52,885	Increase in customer accounts receivable.....
		(58,351)
Increase in accounts receivable, related party.....	(7,328)	Increase in accounts receivable, interpartnership.....
	(13,638,312)	Decrease in other receivables.....
	36,960	Decrease in prepaid expenses and deposits.....
	49,755	Decrease in accrued liabilities.....
	(235,521)	Increase in customer deposits and prepayments.....
	195,207	----- Net cash used in operating activities.....
(12,367,299) -----		CASH FLOWS FROM INVESTING ACTIVITIES Initial cash acquisition cost, net of cash acquired.....
	(21,771,547)	Additions to property, plant and equipment.....
	(289,533)	Additions to franchise costs.....
	(20,108)	Net proceeds from sale of assets.....
	1,500	----- Net cash used in investing activities.....
(22,079,688) -----		CASH FLOWS FROM FINANCING ACTIVITIES Capital contributions.....
	21,836,449	Proceeds from interpartnership debt.....
	13,119,981	Payments on interpartnership debt.....
(364,407) -----		Net cash provided by financing activities.....
	34,592,023	-----
		Increase in cash.....
	145,036	
		Cash, beginning of period.....
		-----
		Cash, end of period.....
		\$ 145,036
=====		SUPPLEMENTAL CASH FLOW INFORMATION
		Interest
paid.....	\$	
	536,877	=====

The accompanying notes are an integral part of these financial statements.

## RIFKIN CABLE INCOME PARTNERS, L.P.

## NOTES TO FINANCIAL STATEMENTS

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## ORGANIZATION

Rifkin Cable Income Partners L.P. (the "Partnership") was originally formed in 1986 as a limited partnership under the laws of the State of Delaware. The Partnership owns, operates and develops cable television systems in Missouri and New Mexico.

## ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP AND BASIS OF PRESENTATION

Effective December 31, 1998, Interlink Communications Partners, LLLP ("ICP") acquired all of the Partnership's limited partner interest, and agreed to purchase all of the Partnership's interest for \$21.7 million. This transaction was accounted for as a purchase; as such, assets and liabilities were written up to their fair value, resulting in an increase to property, plant and equipment and franchise costs of \$6.4 million and \$11.7 million, respectively.

Effective April 1, 1999, ICP completed the purchase of the remaining general partner interest in the Partnership and the Partnership was merged into ICP and ceased to exist as a separate legal entity. The Partnership's financial statements subsequent to that date represent a divisional carve-out from ICP. These financial statements include all the direct costs of operating its business; however, certain assets, liabilities and costs not specifically related to the Partnership's activities were allocated and reflected in the financial position as of September 13, 1999, and the results of its operations and its cash flows for the period January 1, 1999 to September 13, 1999. Allocations from ICP include amounts for debt, interest expense and management expense. Both debt and interest expense were allocated pro rata based on the Partnership's percentage of subscribers to total ICP subscribers. Management expense was allocated in accordance with the management agreement (Note 2). In addition, receivables and payables to ICP are presented in the accompanying financial statements net as amounts due to/from interpartnership. Management believes these allocations were made on a reasonable basis. Nonetheless, the financial information included herein may not necessarily reflect what the financial position and results of operations of the Partnership would have been as a stand-alone entity.

## ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interest to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sales Agreement with Charter for the sale of the individual partner's interest. The sales transaction closed on September 13, 1999. These financial statements represent the Partnership just prior to the transaction and do not reflect any related adjustments.

## PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed includes amounts for material, labor, overhead and capitalized interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation were removed from the accounts and any gain or loss is recognized.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Transmission and distribution systems and related equipment.....	1-15 years
Vehicles, office furniture and fixtures.....	1-5 years
Land, buildings and leasehold improvements.....	1-30 years

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from 1 to 18 years. The carrying value is assessed for recoverability by management based on an analysis of undiscounted expected future cash flows. The Partnership's management believes that there has been no impairment thereof as of September 13, 1999.

## INCOME TAXES

No provision for federal or state income taxes is necessary in the financial statements of the Partnership, because as a partnership, it is not subject to federal or state income tax as the tax effect of its activities accrues to the partners.

## REVENUE RECOGNITION

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

## ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the period shown.

## USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. MANAGEMENT AGREEMENT

The Partnership has a management agreement with R & A Management, LLC ("RML"). The management agreement provides that RML shall act as manager of the Partnership's CATV systems, and shall be entitled to annual compensation of 5% of the Partnership's CATV revenues, net of certain CATV programming costs. The result of this transaction included the conveyance of the Rifkin management agreement ("Rifkin Agreement") to RML ("RML Agreement"). Expenses incurred pursuant to this agreement and the RML Agreement are disclosed in total on the Statement of Operations.

## 3. DEBT

The Partnership has an interpartnership debt with ICP. Borrowings, including both principal and interest, at September 13, 1999 were \$15,621,000 and had an effective interest rate of 8.68%.

ICP has a term loan and revolving loan agreement with a bank. The amount of the term loan is \$150,000,000, and requires varying quarterly payments plus interest commencing September 30, 2001 and continuing through March 31, 2007. On February 1, 1999, the term loan agreement was amended to increase the loan amount to \$250,000,000. On July 16, 1999, the term loan agreement was amended again to increase the loan amount to \$290,000,000. The interest rate on the term loan is generally the bank's prime rate plus 0% to 1.50%. The weighted average effective rate at September 13, 1999 was 8.74%.

The revolving loan agreement provided for borrowing up to \$100,000,000 at the Company's discretion. At September 13, 1999, \$91,000,000 had been drawn against the \$100,000,000 commitment. The revolving credit agreement expires on March 31, 2007. The revolver bears an interest rate at the bank's prime rate plus 0% to

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

1.50% or LIBOR plus 1.25% to 2.75%. The specific rate is dependent upon the leverage ratio of ICP, which is recalculated quarterly. The weighted average effective interest rate at September 13, 1999 was 8.5%.

The term loan and revolving loan agreement are collateralized by substantially all assets of ICP and its consolidated entities, including the Partnership.

## 4. LEASE COMMITMENTS

The Partnership leases certain real and personal property under noncancelable operating leases. Future minimum lease payments under these arrangements at September 13, 1999, were as follows:

1999.....	\$ 60,870
2000.....	30,825
2001.....	30,000
2002.....	8,750
	-----
	\$130,445
	=====

Total rent expense for the period January 1, 1999 to September 13, 1999 was \$60,870, including \$38,239 relating to cancelable pole rental agreements.

## 5. RETIREMENT BENEFITS

The Partnership has a 401(k) plan for its employees that have been employed by the Partnership for at least one year. Employees of the Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1999 contribution of \$10,000 (as set by the Internal Revenue Service). The Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Partnership contributions and earnings vest 20% per year of employment with the Partnership, becoming fully vested after five years. The Partnership's matching contributions for the period January 1, 1999 to September 13, 1999 were \$3,850.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Partnership to estimate the fair values of financial instruments as disclosed herein:

Cash, customer accounts receivable, other receivables, accounts payable and accrued liabilities and customer deposits and prepayments: The carrying value amount approximates fair value because of the short period to maturity.

The interest rate on debt is adjusted at least quarterly; therefore, the carrying value of debt approximates its fair value.

## 7. LITIGATION

The Partnership could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Partnership will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Partnership's financial position or results of operations.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
Rifkin Cable Income Partners L.P.

In our opinion, the accompanying balance sheet and the related statements of operations, of partners' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Rifkin Cable Income Partners L.P. (the "Partnership") at December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

Denver, Colorado  
March 19, 1999

## RIFKIN CABLE INCOME PARTNERS L. P.

## BALANCE SHEET

12/31/97	12/31/98	-----	-----	ASSETS
				Cash and cash
				equivalents..... \$
381,378	\$ 65,699			Customer accounts receivable, net of
				allowance for doubtful accounts of \$12,455 in 1997
				and \$18,278 in 1998..... 49,585 51,523 Other
				receivables.....
	123,828	133,278		Prepaid expenses and
				deposits..... 81,114 70,675
				Property, plant and equipment, at cost: Cable
				television transmission and distribution systems and
				related
				equipment.....
	8,536,060	8,758,525		Land, buildings, vehicles and
				furniture and fixtures..... 618,671 623,281 -----
				----- 9,154,731 9,381,806 Less
				accumulated depreciation.....
(3,847,679)	(4,354,685)			----- Net
				property, plant and equipment.....
	5,307,052	5,027,121		Franchise costs and other
				intangible assets, net of accumulated amortization of
				\$1,819,324 in 1997 and \$2,033,405 in
				1998.....
2,005,342	1,772,345			----- Total
				assets..... \$
	7,948,299	\$ 7,120,641	=====	=====
				LIABILITIES AND PARTNERS' EQUITY Accounts payable and
				accrued liabilities..... \$ 365,392 \$
				396,605 Customer deposits and
				prepayments..... 177,307
				126,212 Interest
				payable.....
	58,093	--		Long-term
				debt.....
				4,914,000 -- Interpartnership
				debt..... --
				2,865,426 ----- Total
				liabilities.....
	5,514,792	3,388,243		Commitments and contingencies
				(Notes 4 and 8) Partners' equity: General
				partner.....
				263,171 822,837 Limited
				partners.....
2,170,336	2,909,561			----- Total
				partner's equity.....
2,433,507	3,732,398			----- Total
				liabilities and partners' equity..... \$
	7,948,299	\$ 7,120,641	=====	=====

The accompanying notes are an integral part of the financial statements.

RIFKIN CABLE INCOME PARTNERS L.P.

STATEMENT OF OPERATIONS

YEARS ENDED -	-----		
12/31/96	12/31/97	12/31/98	-----
			----- REVENUE:
Service.....			.....
\$4,104,841	\$4,491,983	\$4,790,052	Installation and
other.....			206,044 239,402
345,484	-----	-----	Total
revenue.....			4,310,885
4,731,385	5,135,536		COSTS AND EXPENSES: Operating
expense.....			643,950
691,700	671,968		Programming
expense.....			787,124
879,939	1,077,540		Selling, general and administrative
expense.....			683,571 663,903 622,774
Depreciation.....			.....
535,559	602,863	628,515	
Amortization.....			.....
377,749	332,770	199,854	Management
fees.....			215,544
236,569	256,777		Loss (gain) on disposal of
assets.....			1,530 2,980 (2,138) -----
-----	-----	-----	Total costs and
expenses.....			3,245,027 3,410,724
3,455,290	-----	-----	Operating
income.....			.....
1,065,858	1,320,661	1,680,246	Interest
expense.....			533,294
448,530	362,439	-----	----- Net
income before extraordinary item.....			.....
532,564	872,131	1,317,807	Extraordinary item -- Loss
			on early retirement of debt (Note
1).....			-----
18,916	-----	-----	Net
income.....			\$
532,564	\$ 872,131	\$1,298,891	=====
			=====

The accompanying notes are an integral part of the financial statements.

## RIFKIN CABLE INCOME PARTNERS L.P.

## STATEMENT OF PARTNERS' EQUITY (DEFICIT)

GENERAL LIMITED PARTNER PARTNERS TOTAL -----			
----- Partners' equity			
(deficit), December 31, 1995.....	\$(299,131)		
\$1,427,630	\$1,128,499	Net	
income.....			
229,471	303,093	532,564	Equity
distribution.....			
(42,953)	(56,734)	(99,687)	-----
- - - - - Partners' equity (deficit),			
December 31, 1996.....	(112,613)	1,673,989	
1,561,376	Net		
income.....			
375,784	496,347	872,131	-----
- - - - - Partners' equity, December 31,			
1997.....	263,171	2,170,336	
2,433,507	Net		
income.....			
559,666	739,225	1,298,891	-----
- - - - - Partners' equity December 31,			
1998.....	\$ 822,837	\$2,909,561	
\$3,732,398	=====	=====	=====

The partners' capital accounts for financial reporting purposes vary from the tax capital accounts.

The accompanying notes are an integral part of the financial statements.



## RIFKIN CABLE INCOME PARTNERS L.P.

## STATEMENT OF CASH FLOWS

YEARS ENDED - -----			
-- 12/31/96	12/31/97	12/31/98	-----
----- CASH FLOWS FROM OPERATING			
ACTIVITIES: Net			
income.....	\$		
532,564	\$ 872,131	\$ 1,298,891	Adjustments to
reconcile net income to net cash provided by			
operating activities: Depreciation and			
amortization.....	913,308	935,633	
828,369	Amortization of deferred loan		
cost.....	18,970	18,970	14,228
18,916	Loss (gain) on disposal of fixed	-- --	
assets.....	1,530	2,980	(2,138)
Decrease (increase) in customer accounts			
receivables.....	521		
(5,729)	(1,938)	Increase in other	
receivables.....	(45,274)	(56,059)	
(9,450)	Decrease in prepaid expense and		
other.....	40,737	13,230	10,439
Increase (decrease) in accounts payable and accrued			
liabilities.....	(207,035)		
61,625	31,213	Increase (decrease) in customer	
deposits and			
prepayment.....	673		
(63,524)	(51,095)	Increase (decrease) in interest	
payable.....	35,638	(3,145)	(58,093)
-----			
----- Net cash provided by			
operating activities.... 1,291,632 1,776,112			
2,079,342 -----			
CASH FLOWS FROM INVESTING ACTIVITIES: Additions			
to property, plant and equipment.....			
(824,359)	(679,394)	(415,534)	Additions to other
intangible assets, net of			
refranchises.....	-		
(112)	--	Net proceeds from the sale of	
assets.....	18,255	57,113	69,087
Sales tax related to Florida assets sold in			
1994.....			
(14,694)	--	--	
-----			
----- Net cash used in investing activities.....			
(820,798)	(622,393)	(346,447)	-----
-----			
----- CASH FLOWS FROM FINANCING			
ACTIVITIES: Proceeds from interpartnership			
debt.....	-- --	4,265,426	Payments of
long-term debt.....	(715,000)		
(871,000)	(4,914,000)	Payments of	
interpartnership debt..... -- --			
(1,400,000) Partners' capital			
distributions.....	(99,687)	-- --	
-----			
----- Net cash used			
in financing activities..... (814,687)			
(871,000)	(2,048,574)	-----	
-----			
----- Net increase (decrease) in cash and cash			
equivalents.....	(343,853)	282,719	(315,679)
Cash and cash			
equivalents at beginning of period....	442,512		
98,659	381,378	-----	
-----			
----- Cash and cash equivalents at end of			
period.....	\$ 98,659	\$ 381,378	\$ 65,699
===== SUPPLEMENTAL			
CASH FLOW INFORMATION: Interest			
paid.....	\$		
455,124	\$ 431,722	\$ 406,304	=====
=====			

The accompanying notes are an integral part of the financial statements.

RIFKIN CABLE INCOME PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Rifkin Cable Income Partners L.P. (the "Partnership") was formed in 1986 as a limited partnership under the laws of the State of Delaware. The Partnership owns, operates and develops cable television systems in Missouri and New Mexico. Rifkin Cable Management Partners L.P., an affiliate of Rifkin & Associates, Inc. (Note 3), is the general partner of the Partnership.

The Partnership Agreement (the "Agreement") establishes the respective rights, obligations and interests of the partners. The Agreement provides that net income or loss, certain capital events, and cash distributions (all as defined in the Agreement) are generally allocated 43% to the general partner and 57% to the limited partners.

ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP

During 1998, Interlink Communications Partners, LLLP ("ICP") agreed to purchase all of the interests of the Partnership. ICP acquired the limited partner interests, effective December 31, 1998, and is currently in the process of obtaining the necessary consents to transfer all of the Partnership's franchises to ICP. Once obtained, ICP will then purchase the general partner interest in the Partnership, and the Partnership will, by operation of law, be consolidated into ICP.

REVENUE RECOGNITION

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the periods shown.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed includes amounts for material, labor, overhead and capitalized interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings.....	21-30 years
Cable television transmission and distribution systems and related equipment.....	3-15 years
Vehicles and furniture and fixtures.....	3-5 years

FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from eight to twenty-five years. The carrying value of intangibles is assessed for recoverability by management based on an analysis of undiscounted expected future cash flows. The Partnership's management believes that there has been no impairment thereof as of December 31, 1998.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## OTHER INTANGIBLE ASSETS

Loan costs of the Partnership have been deferred and have been amortized to interest expense utilizing the straight-line method over the term of the related debt. Use of the straight-line method approximates the results of the application of the interest method. The net amount remaining at December 31, 1997 was \$37,886.

On December 30, 1998, the loan with a financial institution was paid in full (Note 2). The related deferred loan costs and associated accumulated amortization were written off and an extraordinary loss of \$18,916 was recorded.

## CASH AND CASH EQUIVALENTS

All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

## INCOME TAXES

No provision for Federal or State income taxes is necessary in the financial statements of the Partnership, because as a partnership, it is not subject to Federal or State income tax as the tax effect of its activities accrues to the partners.

## USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NEW ACCOUNTING PRONOUNCEMENT

In April 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5 "Reporting on the Costs of Start-Up Activities," which requires the Partnership to expense all start up costs related to opening a new facility, introduction of a new product or service, or conducting business with a new class of customer or in a new territory. This standard is effective for the Partnership's 1999 fiscal year. Management believes that SOP 98-5 will have no material effect on its financial position or the results of operations.

## RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 1996 and 1997 financial statements to conform with the 1998 financial statement presentation.

## 2. DEBT

The Partnership had a term loan with a financial institution which required varying quarterly payments. At December 31, 1997, the term loan had a balance of \$4,914,000. At December 30, 1998, the term loan had a balance of \$4,216,875; at that date, the total balance and accrued interest were paid in full.

On that same date, the Partnership obtained a new interpartnership loan with ICP (Note 1). Borrowing under the interpartnership loan, as well as interest and principle payments are due at the discretion of the management of ICP, resulting in no minimum required annual principle payments. The balance of the interpartnership loan at December 31, 1998 was \$2,865,426. The effective interest rate at December 31, 1998 was 8.5%.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## 3. MANAGEMENT AGREEMENT

The Partnership has entered into a management agreement with Rifkin and Associates, Inc. (Rifkin). The management agreement provides that Rifkin shall act as manager of the Partnership's CATV systems, and shall be entitled to annual compensation of 5% of the Partnership's CATV revenues, net of certain CATV programming costs. Effective September 1, 1998, Rifkin conveyed its CATV management business to R & A Management, LLC (RML). The result of this transaction included the conveyance of the Rifkin management agreement (Rifkin Agreement) to RML (RML Agreement). Expenses incurred pursuant to the Rifkin Agreement and the RML Agreement are disclosed in total on the Statement of Operations.

## 4. COMMITMENTS AND RENTAL EXPENSE

The Partnership leases certain real and personal property under noncancelable operating leases expiring through the year 2001. Future minimum lease payments under such noncancelable leases as of December 31, 1998 are: \$30,000 for each year 1999, 2000 and 2001, totaling \$90,000.

Total rental expense for the years ended December 31, 1996, 1997 and 1998 was \$60,323, \$68,593 and \$68,776, respectively, including \$27,442, \$36,822 and \$36,716, respectively, relating to cancelable pole rental agreements.

## 5. RETIREMENT BENEFITS

The Partnership has a 401(k) plan for its employees that have been employed by the Partnership for at least one year. Employees of the Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1998 contribution of \$10,000 (as set by the Internal Revenue Service). The Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Partnership contributions and earnings vest 20% per year of employment with the Partnership, becoming fully vested after five years. The Partnership's matching contributions for the years ended December 31, 1996, 1997 and 1998 were \$2,693, \$3,653 and \$2,680, respectively.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Partnership to estimate the fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents, Customer Accounts Receivable, Other Receivables, Accounts Payable and Accrued Liabilities and Customer Deposits and Prepayments: The carrying value amount approximates fair value because of the short period to maturity.

Debt: The carrying value amount approximates the fair value because the Partnership's interpartnership debt was obtained on December 30, 1998.

## 7. CABLE REREGULATION

Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the Cable Act) and has amended it at various times since.

The total effects of the present law are, at this time, still unknown. However, one provision of the present law further redefines a small cable system, and exempts these systems from rate regulation on the upper tiers of cable service. The Partnership is awaiting an FCC rulemaking implementing the present law to determine whether its systems qualify as small cable systems.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## 8. LITIGATION

The Partnership could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Partnership will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Partnership's financial position or results of operations.

F-217

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
Rifkin Acquisition Partners, L.L.L.P.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, partners' capital and cash flows present fairly, in all material respects, the financial position of Rifkin Acquisition Partners, L.L.L.P. and its subsidiaries (the "Company") at September 13, 1999, and the results of their operations and their cash flows for the period from January 1, 1999 through September 13, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the financial statements, the Partnership has changed its method of accounting for start up costs in fiscal 1999.

On September 13, 1999, all of the Partnership's interest were sold to Charter Communications, LLC. These financial statements represent the Partnership just prior to that transaction and do not reflect any adjustments related thereto.

/s/ PRICEWATERHOUSECOOPERS LLP

Denver, Colorado  
February 15, 2000

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED BALANCE SHEET

SEPTEMBER 13, 1999 ----- ASSETS

Cash.....		
\$ 4,475,108	Customer accounts receivable, net of allowance for doubtful accounts of	
\$292,183.....	Other	1,258,522
receivables.....		
3,384,472	Prepaid expenses and	
other.....		1,616,219
Property, plant and equipment, at cost: Cable television transmission and distribution system and related		
equipment.....		171,842,780
Land, buildings, vehicles and furniture and fixtures.....		
8,946,860 -----	180,789,640 Less accumulated depreciation.....	(45,505,661) --
-----	Net property, plant and	
equipment.....		135,283,979
Franchise costs and other intangible assets, net of accumulated amortization of \$80,047,118.....		164,685,102
-----	Total	
assets.....		
\$310,703,402	=====	LIABILITIES AND PARTNERS' CAPITAL
Liabilities: Accounts payable and accrued liabilities.....	\$ 21,110,015	Customer
deposits and prepayments.....		1,514,732
Payables to affiliates.....		
303,047	Interest	
payable.....		3,234,019
Deferred tax liability, net.....		
5,967,000	Notes	
payable.....		
236,075,000 -----	Total	
liabilities.....		268,203,813
Commitments and contingencies (Notes 5 and 9) Redeemable partners' interests.....		
16,128,800	Partners' capital (deficit): General partner.....	
(2,951,394)	Limited	
partners.....		
29,029,520	Preferred equity	
interest.....		292,663 -----
--- Total partners' capital.....		
26,370,789 -----	Total liabilities and partners' capital.....	\$310,703,402 =====

The accompanying notes are an integral part of these consolidated financial statements.

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED STATEMENT OF OPERATIONS

PERIOD FROM JANUARY 1, 1999 THROUGH SEPTEMBER 13, 1999 ----

	----- REVENUE	
Service.....	\$ 62,252,012	Installation and
other.....	6,577,154	-----
	----- Total	
revenue.....	68,829,166	COSTS AND EXPENSES
expense.....	10,060,135	Operating
expense.....	15,312,179	Programming
	17,566,230	Selling, general and administrative
		expense.....
Depreciation.....	11,760,429	
Amortization.....	17,681,246	Management
fees.....	2,406,596	
	996,459	Loss on disposal of
assets.....	-----	assets.....
	75,783,274	-- Total costs and
expenses.....	-----	Operating
loss.....	(6,954,108)	Interest
expense.....	16,591,877	-----
	(23,545,985)	Loss before income
taxes.....		taxes.....
		Income tax
benefit.....		
(1,975,000)		-----
	(21,570,985)	Loss before cumulative effect of
accounting change.....		accounting change.....
		of accounting change for organizational
costs.....	(111,607)	-----
		Net
loss.....		
	\$ (21,682,592)	=====

The accompanying notes are an integral part of these consolidated financial statements.



RIFKIN ACQUISITION PARTNERS, L.L.L.P  
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

	PREFERRED EQUITY	GENERAL LIMITED	INTEREST PARTNERS	PARTNERS	TOTAL
	-----				
-- Partners' capital (deficit), December 31,					
1998.....	\$ 422,758	\$(1,991,018)	\$ 55,570,041	\$	
54,001,781 Accretion of redeemable partners' interest.....					-
- (743,550) (5,204,850) (5,948,400) Net loss.....					(130,095) (216,826) (21,335,671)
(21,682,592) -----					-----
----- Partners' capital (deficit), September 13,					
1999.....	\$ 292,663	\$(2,951,394)	\$ 29,029,520	\$	
26,370,789 =====					=====
=====					=====

The partners' capital accounts for financial reporting purposes vary from the tax capital accounts.

The accompanying notes are an integral part of these consolidated financial statements.

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD FROM JANUARY 1, 1999 THROUGH SEPTEMBER 13, 1999 --  
 ----- CASH FLOWS FROM OPERATING ACTIVITIES Net  
 loss.....  
 \$(21,682,592) Adjustments to reconcile net loss to net  
 cash provided by operating activities: Depreciation and  
 amortization..... 29,441,675  
 Amortization of deferred loan  
 costs..... 684,095 Loss on disposal of  
 fixed assets..... 996,459 Deferred  
 tax benefit.....  
 (1,975,000) Changes in accounting for organizational  
 costs..... 111,607 Decrease in customer accounts  
 receivables..... 673,618 Decrease in other  
 receivables..... 2,253,299  
 Decrease in prepaid expenses and  
 other..... 782,309 Increase in accounts  
 payable and accrued liabilities..... 9,425,421 Decrease  
 in customer deposits and prepayments.....  
 (162,168) Decrease in interest  
 payable..... (4,008,935)  
 Increase in payable to  
 affiliates..... 303,047 -----  
 Net cash provided by operating activities.....  
 16,842,835 ----- CASH FLOWS FROM INVESTING  
 ACTIVITIES Additions to property, plant and  
 equipment..... (26,692,423) Proceeds from  
 purchase price adjustment for Tennessee  
 trade.....  
 276,147 Net proceeds from the sale of other  
 assets..... 223,657 ----- Net cash  
 used in investing activities.....  
 (26,192,619) ----- CASH FLOWS FROM FINANCING  
 ACTIVITIES Proceeds from long-term bank  
 debt..... 11,500,000 -----  
 Net cash provided by financing activities.....  
 11,500,000 ----- Net increase in  
 cash..... 2,150,216  
 Cash, beginning of  
 period..... 2,324,892 -----  
 ----- Cash, end of  
 period..... \$  
 4,475,108 ===== SUPPLEMENTAL CASH FLOW INFORMATION  
 Interest  
 paid..... \$  
 13,357,858 =====

The accompanying notes are an integral part of these consolidated financial statements.

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## GENERAL INFORMATION

Rifkin Acquisition Partners, L.L.L.P. ("the Partnership") was formed pursuant to the laws of the State of Colorado. The Partnership and its subsidiaries are hereinafter referred to on a consolidated basis as the "Company." The Company owns, operates, and develops cable television systems in Georgia, Tennessee and Illinois. Rifkin Acquisition Management, L.P., an affiliate of R & A Management LLC (Note 4), is the general partner of the Partnership ("General Partner").

The Partnership operates under a limited liability limited partnership agreement (the "Partnership Agreement") which establishes contribution requirements, enumerates the rights and responsibilities of the partners and advisory committee, provides for allocations of income, losses and distributions and defines certain items relating thereto. The Partnership Agreement provides that net income or loss, certain defined capital events and cash distributions, all as defined in the Partnership Agreement, are generally allocated 99% to the limited partners and 1% to the General Partner.

## ACQUISITION BY CHARTER COMMUNICATIONS, LLC

On February 12, 1999, the Company signed a letter of intent for the partners to sell all of their partnership interests to Charter Communications, LLC ("Charter"). On April 26, 1999, the Company signed a definitive Purchase and Sale Agreement with Charter for the sale of the individual partners' interest. The sales transaction closed on September 13, 1999. These statements represent the Company just prior to the transaction and do not reflect any adjustment related thereto.

## BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the following entities:

Rifkin Acquisition Partners, L.L.L.P. ("CEC")	Cable Equities of Colorado
Cable Equities of Colorado, Ltd. Management Corp. ("CEM") ("RACC")	Cable Equities, Inc. ("CEI") Rifkin Acquisition Capital Corp.

All significant intercompany accounts and transactions have been eliminated.

## REVENUE AND PROGRAMMING

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

## ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the period shown.

## PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed, includes amounts for material, labor, overhead and interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Capitalized interest was not significant for the period shown.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings.....	27-30years
Cable television transmission and distribution systems and related equipment.....	3-15years
Vehicles and furniture and fixtures.....	3-5years

Expenditures for maintenance and repairs are expensed as incurred.

## FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from one to twenty years. The carrying value of franchise costs is assessed for recoverability by management based on an analysis of undiscounted future expected cash flows from the underlying operations of the Company. Management believes that there has been no impairment thereof as of September 13, 1999.

## OTHER INTANGIBLE ASSETS

Certain loan costs have been deferred and are amortized to interest expense utilizing the straight-line method over the remaining term of the related debt. Use of the straight-line method approximates the results of the application of the interest method. The net amounts remaining at September 13, 1999 were \$5,481,111.

## REDEEMABLE PARTNERS' INTERESTS

The Partnership Agreement provides that if a certain partner dies or becomes disabled, that partner (or his personal representative) shall have the option, exercisable by notice given to the partners at any time within 270 days after his death or disability (except that if that partner dies or becomes disabled prior to August 31, 2000, the option may not be exercised until August 31, 2000 and then by notice by that partner or his personal representative given to the partners within 270 days after August 31, 2000) to sell, and require the General Partner and certain trusts controlled by that partner to sell, and the Partnership to purchase, up to 50% of the partnership interests owned by any of such partners and certain current and former members of management of R&A Management LLC that requests to sell their interest, for a purchase price equal to the fair market value of those interests determined by appraisal in accordance with the Partnership Agreement. Accordingly, the current fair value of such partnership interests have been reclassified outside of partners' capital.

## USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1999, the Company adopted, the Accounting Standards Executive Committee's Statement of Position 98-5 ("SOP 98-5") Reporting on the Costs of Start-Up Activities, which requires the Company to expense all start up costs related to organizing a new business. During the first quarter of 1999, the Company wrote off the net book value of organization costs capitalized in prior years resulting in the recognition of a cumulative effect of accounting change of \$111,607.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 2. INCOME TAXES

Although the Partnership is not a taxable entity, two corporations (the "Subsidiaries") are included in the consolidated financial statements. These subsidiaries are required to pay taxes on their taxable income, if any.

The following represents a reconciliation of pre-tax losses as reported in accordance with accounting principles generally accepted in the United States and the losses attributable to the partners and included in their individual income tax returns for the period from January 1, 1999 through September 13, 1999:

Pre-tax loss as reported, including cumulative effect of change in accounting principle.....	\$ (23,657,592)
(Increase) decrease due to:	
Separately taxed book results of corporate subsidiaries...	5,274,000
Effect of different depreciation and amortization methods for tax and book purposes.....	672,000
Other.....	(68,408)
	-----
Tax loss attributed to the partners.....	\$ (17,780,000)
	=====

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

As a result of a change in control in 1995, the book value of the Company's net assets was increased to reflect their fair market value. In connection with this revaluation, a deferred income tax liability in the amount of \$22,801,000 was established to provide for future taxes payable on the revised valuation of the net assets. A deferred tax benefit of \$1,975,000 was recognized for the period from January 1, 1999 through September 13, 1999, reducing the liability to \$5,967,000.

Deferred tax asset (liability) was comprised of the following at September 13, 1999:

Deferred tax assets resulting from loss carryforwards.....	\$ 13,006,000
Deferred tax liabilities resulting from depreciation and amortization.....	(18,973,000)
	-----
Net deferred tax liability.....	\$ (5,967,000)
	=====

As of September 13, 1999, the Subsidiaries have net operating loss carryforwards ("NOLs") for income tax purposes of \$34,589,000 substantially all of which are limited. The NOLs will expire at various times between the years 2000 and 2018. It is the opinion of management that the NOLs will be released from this limitation prior to their expiration dates and, as such, have not been limited in their calculation of deferred taxes. As the result of the sale of the Partnership's interest to Charter, a change in control, as defined in Section 382 of the Internal Revenue Code, has occurred which may limit Charter's ability to utilize these NOLs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The benefit for taxes differs from the amount which would be computed by applying the statutory federal income tax rate of 35% to the Company's pre-tax loss before cumulative effect of change in accounting principle as a result of the following for the period January 1, 1999 through September 13, 1999:

Tax benefit computed at statutory rate.....	\$(8,241,095)
Increase (decrease) due to:	
Tax benefit for non-corporate loss.....	6,395,195
Permanent differences between financial statement income and taxable income.....	(36,200)
State income tax.....	(139,800)
Other.....	46,900
	-----
Income tax benefit.....	\$(1,975,000)
	=====

## 3. NOTES PAYABLE

Debt consisted of the following at September 13, 1999:

Senior Subordinated Notes.....	\$125,000,000
Tranche A Term Loan.....	21,575,000
Tranche B Term Loan.....	40,000,000
Reducing Revolving Loan.....	46,500,000
Senior Subordinated Debt.....	3,000,000
	-----
	\$236,075,000
	=====

The notes and loans are collateralized by substantially all of the assets of the Company.

On January 26, 1996, the Company and its wholly owned subsidiary, RACC (the "Issuers"), co-issued \$125,000,000 of 11 1/8% Senior Subordinated Notes (the "Notes") to institutional investors. These notes were subsequently exchanged on June 18, 1996 for publicly registered notes with identical terms. Interest on the Notes is payable semi-annually on January 15 and July 15 of each year. The Notes, which mature on January 15, 2006, can be redeemed in whole or in part, at the Issuers' option, at any time on or after January 15, 2001, at redeemable prices contained in the Notes plus accrued interest. At September 13, 1999, all of the Notes were outstanding (see also Note 8).

The Company has a \$25,000,000 Tranche A term loan with a financial institution. This loan requires quarterly payments of \$1,875,000 plus interest commencing on March 31, 2000. Any unpaid balance is due March 31, 2003. The agreement requires what it defines as excess proceeds from the sale of a cable system to be used to retire Tranche A term debt. As a result of the Company selling its assets in the State of Michigan in a prior year, there was \$3,425,000 in excess proceeds which were used to pay principal. The interest rate on the Tranche A term loan is either the bank's prime rate plus .25% to 1.75% or LIBOR plus 1.5% to 2.75%.

The specific rate is dependent upon the senior funded debt ratio which is recalculated quarterly. The weighted average effective interest rate at September 13, 1999 was 7.23%.

In addition, the Company has a \$40,000,000 Tranche B term loan, which requires principal payments of \$2,000,000 on March 31, 2002, \$18,000,000 on March 31, 2003, and \$20,000,000 on March 31, 2004. The Tranche B term loan bears an interest rate of 9.75% and is payable quarterly.

The Company also has a reducing revolving loan providing for borrowing up to \$20,000,000 at the Company's discretion, subject to certain restrictions, and an additional \$60,000,000 available to finance acquisitions subject to certain restrictions. The additional financing amount available at September 13, 1999 was \$40,000,000. At September 13, 1999, the full \$20,000,000 available had been borrowed, and \$26,500,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

had been drawn against the \$40,000,000 commitment. The amount available for borrowing will decrease annually during its term with changes over the three years following September 13, 1999 as follows: 1999 -- \$2,500,000 reduction per quarter and 2000 through 2002 -- \$3,625,000 reduction per quarter. Any unpaid balance is due on March 31, 2003. The revolving loan bears an interest rate of either the bank's prime rate plus .25% to 1.75% or LIBOR plus 1.5% to 2.75%. The specific rate is dependent upon the senior funded debt ratio which is recalculated quarterly. The weighted average effective interest rates at September 13, 1999 was 8.92%. The reducing revolving loan includes a commitment fee of 1/2% per annum on the unborrowed balance.

Certain mandatory prepayments may also be required on the Tranche A term loan, the Tranche B term loan, and the reducing revolving credit based on the Company's cash flow calculations, proceeds from the sale of a cable system or equity contributions. Optional prepayments are allowed, subject to certain restrictions. The related loan agreement contains covenants limiting additional indebtedness, dispositions of assets, investments in securities, distribution to partners, management fees and capital expenditures. In addition, the Company must maintain certain financial levels and ratios. At September 13, 1999, the Company was in compliance with these covenants.

The Company also has \$3,000,000 of senior subordinated debt payable to a Rifkin Partner. The debt has a scheduled maturity, interest rate and interest payment schedule identical to that of the Notes, as discussed above.

Based on the outstanding debt as of September 13, 1999, the minimum aggregate maturities for the four years following 1999 are: \$13,500,000 in 2000, \$22,000,000 in 2001, \$23,075,000 in 2002, \$29,500,000 in 2003 and \$20,000,000 in 2004.

Subsequent to September 13, 1999, \$124.1 million of the \$125 million in notes outstanding were purchased by Charter Communication and will be reflected as intercompany payable between Charter and RAP. The remaining \$900,000 of outstanding notes were delisted and are no longer public.

## 4. RELATED PARTY TRANSACTIONS

The Company has a management agreement with R & A Management LLC ("RML"). The management agreement provides that RML shall manage the Company's CATV systems and shall be entitled to annual compensation of 3.5% of the Company's revenue. Expenses incurred pursuant to this agreement are disclosed in total in the Consolidated Statement of Operations.

Certain Partnership expenses were paid by Charter and are reflected as Payables to affiliates in the accompanying financial statements.

## 5. COMMITMENTS AND RENTAL EXPENSE

The Company leases certain real and personal property under noncancelable operating leases expiring through the year 2007. Future minimum lease payments under such noncancelable leases as of September 13, 1999 are:

2000.....	\$ 339,320
2001.....	269,326
2002.....	252,042
2003.....	192,027
2004 and thereafter.....	393,479
	-----
	\$1,446,194
	=====

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Total rental expense and the amount included therein which pertains to cancelable pole rental agreements were as follows for the period indicated:

TOTAL RENTAL CANCELABLE PERIOD EXPENSE POLE RENTAL --- ----- ----- -----
For the period January 1, 1999 through September 13, 1999...
\$1,105,840
\$767,270

## 6. COMPENSATION PLANS AND RETIREMENT PLANS

## EQUITY INCENTIVE PLAN

The Company maintains an Equity Incentive Plan (the "Plan") in which certain Rifkin executive officers and key employees, and certain key employees of the Company are eligible to participate. Plan participants in the aggregate, have the right to receive (i) cash payments of up to 2.0% of the aggregate value of all partnership interests of the Company (the "Maximum Incentive Percentage"), based upon the achievement of certain annual Operating Cash Flow (as defined in the Plan) targets for the Company for each of the calendar years 1996 through 2000, and (ii) an additional cash payment equal to up to 0.5% of the aggregate value of all partnership interests of the Company (the "Additional Incentive Percentage"), based upon the achievement of certain cumulative Operating Cash Flow targets for the Company for the five-year period ended December 31, 2000. Subject to the achievement of such annual targets and the satisfaction of certain other criteria based on the Company's operating performance, up to 20% of the Maximum Incentive Percentage will vest in each such year; provided, that in certain events vesting may accelerate. Payments under the Plan are subject to certain restrictive covenants contained in the Notes.

No amounts are payable under the Plan except upon (i) the sale of substantially all of the assets or partnership interests of the Company or (ii) termination of a Plan participant's employment with Rifkin or the Company, as applicable, due to (a) the decision of the Advisory Committee to terminate such participant's employment due to disability, (b) the retirement of such participant with the Advisory Committee's approval or (c) the death of such Participant. The value of amounts payable pursuant to clause (i) above will be based upon the aggregate net proceeds received by the holders of all of the partnership interests in the Company, as determined by the Advisory Committee, and the amounts payable pursuant to clause (ii) above will be based upon the Enterprise Value determined at the time of such payment. For purposes of the Plan, Enterprise Value generally is defined as Operating Cash Flow for the immediately preceding calendar year times a specified multiple and adjusted based on the Company's working capital.

The amount expensed for the period January 1, 1999 through September 13, 1999 relating to this plan was \$7,440,964. The incentive accrual is recorded in accounts payable and accrued liabilities in the accompanying financial statements.

## RETIREMENT BENEFITS

The Company has a 401(k) plan for employees that have been employed by the Company for at least one year. Employees of the Company can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1999 contribution of \$10,000 (as set by the Internal Revenue Service). The Company matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are



fully vested upon contribution and Company contributions and earnings vest 20% per year of employment with the Company, becoming fully vested after five years. The Company's matching contribution for the period from January 1, 1999 through September 13, 1999 was \$61,178.

F-228

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Company to estimate the fair values of financial instruments as disclosed herein:

Cash, customer accounts receivable, other receivables, accounts payable and accrued liabilities and customer deposits and prepayments: The carrying value amount approximates fair value because of the short period to maturity.

Debt: The fair value of bank debt is estimated based on interest rates for the same or similar debt offered to the Company having the same or similar remaining maturities and collateral requirements. The fair value of public Senior Subordinated Notes is based on the market quoted trading value. The fair value of the Company's debt is estimated at \$247,637,500 and is carried on the balance sheet at \$236,075,000.

## 8. SUMMARIZED FINANCIAL INFORMATION

CEM, CEI and CEC (collectively, the "Guarantors") are all wholly owned subsidiaries of the Company and, together with RACC, constitute all of the Partnership's direct and indirect subsidiaries. Each of the Guarantors provides a full, unconditional, joint and several guaranty of the obligations under the Notes discussed in Note 6. Separate financial statements of the Guarantors are not presented because management has determined that they would not be material to investors.

The following present summarized financial information of the Guarantors on a combined basis as of September 13, 1999 and for the period January 1, 1999 through September 13, 1999.

## BALANCE SHEET

SEPTEMBER 13, 1999 -----

Cash.....	\$ 569,544	Accounts and other receivables, net.....	2,907,837	Prepaid expenses.....	620,284	Property, plant and equipment, net.....	52,383,861	Franchise costs and other intangible assets, net.....	51,397,528
		Accounts payable and accrued liabilities.....	30,186,658	Other liabilities.....	669,223	Deferred taxes payable.....	5,967,000	Notes payable.....	140,846,262
				Equity (deficit).....					(69,790,089)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## STATEMENT OF OPERATIONS

PERIOD FROM JANUARY 1, 1999 THROUGH SEPTEMBER 13, 1999	
	----- Total
revenue.....	
	\$24,183,281 Total costs and
expenses.....	23,313,494
	Interest
expense.....	
	9,920,062 Income tax
benefit.....	
	(1,975,000) ----- Net
loss.....	
	\$(7,075,275) =====

## 9. LITIGATION

The Company could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Company will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Company's financial position or results of operations.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
Rifkin Acquisition Partners, L.L.L.P.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, partners' capital (deficit) and cash flows present fairly, in all material respects, the financial position of Rifkin Acquisition Partners, L.L.L.P. and its subsidiaries (the "Company") at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

Denver, Colorado  
March 19, 1999

F-231

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED BALANCE SHEET

12/31/98	12/31/97	-----	-----	ASSETS
				Cash and cash equivalents..... \$
2,324,892	\$ 1,902,555			Customer accounts receivable, net of allowance for doubtful accounts of \$444,839 in 1998 and \$425,843 in 1997..... 1,932,140
				1,371,050 Other receivables.....
5,637,771	4,615,089			Prepaid expenses and other..... 2,398,528
1,753,257				Property, plant and equipment at cost: Cable television transmission and distribution systems and related equipment.....
149,376,914	131,806,310			Land, buildings, vehicles and furniture and fixtures..... 7,421,960 7,123,429
				----- 156,798,874 138,929,739
				Less accumulated depreciation.....
(35,226,773)	(26,591,458)			-----
				- Net property, plant and equipment.....
121,572,101	112,338,281			Franchise costs and other intangible assets, net of accumulated amortization of \$67,857,545 in 1998 and \$53,449,637 in 1997.....
183,438,197	180,059,655			-----
				Total assets.....
\$317,303,629	\$302,039,887	=====	=====	
				LIABILITIES AND PARTNERS' CAPITAL Accounts payable and accrued liabilities..... \$
11,684,594	\$ 11,690,894			Customer deposits and prepayments..... 1,676,900
				1,503,449 Interest payable.....
7,242,954	7,384,509			Deferred tax liability, net..... 7,942,000
				12,138,000 Notes payable.....
224,575,000	229,500,000			-----
				Total liabilities.....
253,121,448	262,216,852			Commitments and contingencies (Notes 8 and 14) Redeemable partners' interests..... 10,180,400
7,387,360				Partners' capital (deficit): General partner.....
(1,991,018)	(1,885,480)			Limited partners.....
55,570,041	34,044,912			Preferred equity interest..... 422,758
276,243				----- Total partners' capital.....
54,001,781	32,435,675			-----
				Total liabilities and partners' capital.....
\$317,303,629	\$302,039,887	=====	=====	

The accompanying notes are an integral part of the consolidated financial statements.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED -	-----	-----	-----	-----
	12/31/98	12/31/97	12/31/96	
	REVENUE:			
Service.....	\$ 82,498,638	\$ 78,588,503	\$ 66,433,321	
	Installation and			
other.....			7,422,675	
5,736,412	4,852,124			
	----- Total			
revenue.....			89,921,313	
84,324,915	71,285,445			
	COSTS AND EXPENSES:			
	Operating			
expense.....				
13,305,376	14,147,031	10,362,671	Programming	
expense.....			18,020,812	
15,678,977	14,109,527		Selling, general and	
			administrative expense.....	
	12,695,176	11,352,870		
Depreciation.....				
15,109,327	14,422,631	11,725,246		
Amortization.....				
22,104,249	24,208,169	23,572,457	Management	
fees.....			3,147,246	
2,951,372	2,475,381		Loss on disposal of	
			assets.....	
			3,436,739	
7,834,968	1,357,180			
	----- Total costs and			
expenses.....			88,880,839	
74,955,332			91,938,324	
	----- Operating income			
(loss).....			1,040,474	
(7,613,409)	(3,669,887)		Gain from the sale of	
			assets (Note 4).....	
			(42,863,060)	
	Interest			
expense.....				
23,662,248	23,765,239	21,607,174		
	----- Income (loss) before			
income taxes.....			20,241,286	
(31,378,648)	(25,277,061)		Income tax	
			benefit.....	
(4,177,925)	(5,335,000)	(3,645,719)		
	----- Net income			
(loss).....			\$	
24,419,211	\$(26,043,648)	\$(21,631,342)		
	=====			

The accompanying notes are an integral part of the consolidated financial statements.

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED - -----			
----- 12/31/98 12/31/97 12/31/96 -----			
	CASH FLOWS FROM OPERATING		
	ACTIVITIES: Net income		
(loss).....	\$		
24,419,211	\$(26,043,648)	\$(21,631,342)	Adjustments
			to reconcile net loss to net cash provided by
			operating activities: Depreciation and
			amortization.....
38,630,800	35,297,703	Amortization of deferred loan	
		costs.....	989,760 989,760 970,753
		Gain	
		on sale of assets (Note 4).....	
		(42,863,060)	-- -- Loss on disposal of fixed
		assets.....	3,436,739 7,834,968
		1,357,180	Deferred tax
		benefit.....	(4,196,000)
		(5,335,000)	(3,654,000)
		Increase in customer	
		accounts receivables.....	(300,823) (186,976)
		(117,278)	Increase in other
		receivables.....	(474,599)
		(1,992,714)	(994,681)
		(Increase) decrease in	
		prepaid expenses and other... (684,643)	23,015
		(494,252)	Increase in accounts payable and accrued
		liabilities.....	
		34,073 1,753,656	3,245,736
		Increase (decrease) in	
		customer deposits and	
		prepayments.....	
		(86,648)	231,170 164,824
		Increase (decrease) in	
		interest payable.....	(141,555) 600,248
		6,692,988	-----
		Net cash provided by operating activities.....	
		17,346,031	16,505,279 20,837,631
		-----	-----
	CASH FLOWS FROM INVESTING		
	ACTIVITIES: Acquisition of cable systems, net (Note		
			3).....
		(2,212,958)	(19,359,755)
		(71,797,038)	Additions to property, plant and
		equipment.....	(26,354,756) (28,009,253)
		(16,896,582)	Additions to cable television
		franchises, net of	
		retirements.....	
		(151,695)	72,162 (1,182,311)
		Net proceeds from the	
		sale of cable systems (Note 4)...	16,533,564 -- --
		Net proceeds from the other sales of	
		assets.....	247,216 306,890 197,523
		-----	-----
		Net cash used in	
		investing activities.....	(11,938,629)
		(46,989,956)	(89,678,408)
		-----	-----
	CASH FLOWS FROM FINANCING		
	ACTIVITIES: Proceeds from issuance of senior		
			subordinated notes... -- -- 125,000,000
			Proceeds
			from long-term bank debt.....
			22,500,000 38,000,000 18,000,000
			Deferred loan
			costs..... -- --
			(6,090,011)
			Payments of long-term bank
			debt..... (27,425,000)
			(7,000,000) (82,000,000)
			Partners' capital
			contributions..... -- --
			15,000,000
			Equity distributions to
			partners..... (60,065) -- --
			-----
			Net cash
			provided by (used in) financing
			activities.....
			(4,985,065) 31,000,000 69,909,989
			-----
			Net increase in
			cash..... 422,337
			515,323 1,069,212
			Cash and cash equivalents at
			beginning of period..... 1,902,555 1,387,232
			318,020
			-----
			Cash and cash equivalents at end of
			period..... \$ 2,324,892 \$ 1,902,555 \$
			1,387,232
			=====
	SUPPLEMENTAL CASH FLOW INFORMATION: Interest		
			paid..... \$
			22,737,443 \$ 22,098,732 \$ 13,866,995
			=====

```

===== Noncash investing
activities: Proceeds from the sale of Michigan
           assets held in
escrow.....
$ 500,000 $ -- $ -- =====
===== Trade value related to the trade sale
           of Tennessee
assets.....
$ 46,668,000 $ -- $ -- =====
===== Trade value related to trade
           acquisition of Tennessee
           assets.....
$(46,668,000) $ -- $ -- =====
=====

```

The accompanying notes are an integral part of the consolidated financial statements.



## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)

PREFERRED GENERAL LIMITED EQUITY		
INTEREST PARTNER	PARTNERS TOTAL	
-----		
----- Partners'		
capital (deficit) at December 31,		
1995.....	\$ 562,293	
	\$(1,085,311)	\$ 69,421,043
	68,898,025	Partners' capital
	-- 150,000	contributions.....
14,850,000	15,000,000	Accretion
		of redeemable partners'
interest.....		
	-- (157,730)	(1,104,110)
	(1,261,840)	Net
loss.....		
(129,788)	(216,313)	(21,285,241)
(21,631,342)	-----	
-----		
Partners' capital (deficit) at		
December 31,		
1996.....	432,505	
(1,309,354)	61,881,692	61,004,843
		Accretion of redeemable partners'
interest.....		
	-- (315,690)	(2,209,830)
	(2,525,520)	Net
loss.....		
(156,262)	(260,436)	(25,626,950)
(26,043,648)	-----	
-----		
Partners' capital (deficit) at		
December 31,		
1997.....	276,243	
(1,885,480)	34,044,912	32,435,675
		Accretion of redeemable partners'
interest.....		
	-- (349,130)	(2,443,910)
	(2,793,040)	Net
income.....		
146,515	244,192	24,028,504
24,419,211		Partners' equity
	-- (600)	distribution.....
(59,465)	(60,065)	-----
-----		
- Partners' capital (deficit) at		
December 31,		
1998.....	\$ 422,758	
	\$(1,991,018)	\$ 55,570,041
54,001,781	=====	=====
	=====	=====

The Partners' capital accounts for financial reporting purposes vary from the tax capital accounts.

The accompanying notes are an integral part of the consolidated financial statements.

## RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## GENERAL INFORMATION

Rifkin Acquisition Partners, L.L.L.P. ("the Partnership") was formed pursuant to the laws of the State of Colorado. The Partnership and its subsidiaries are hereinafter referred to on a consolidated basis as the "Company." The Company owns, operates, and develops cable television systems in Georgia, Tennessee, and Illinois. Rifkin Acquisition Management, L.P., an affiliate of Rifkin & Associates, Inc. (Note 7), is the general partner of the Partnership ("General Partner").

The Partnership operates under a limited liability limited partnership agreement (the "Partnership Agreement") which establishes contribution requirements, enumerates the rights and responsibilities of the partners and advisory committee, provides for allocations of income, losses and distributions, and defines certain items relating thereto. The Partnership Agreement provides that net income or loss, certain defined capital events, and cash distributions, all as defined in the Partnership Agreement, are generally allocated 99% to the limited partners and 1% to the general partner.

## BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the following entities:

- - Rifkin Acquisition Partners, L.L.L.P. (CEC)
- - Cable Equities of Colorado Management Corp. (CEM) (RACC)
- Cable Equities of Colorado, Ltd.
- Cable Equities, Inc. (CEI)
- Rifkin Acquisition Capital Corp.

The financial statements for 1997 and 1996 also included the following entities:

- - Rifkin/Tennessee, Ltd. (RTL)
- FNI Management Corp. (FNI)

Effective January 1, 1998, both the RTL and FNI entities were dissolved and the assets were transferred to the Partnership.

All significant intercompany accounts and transactions have been eliminated.

## REVENUE AND PROGRAMMING

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

## ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the periods shown.

## PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed, includes amounts for material, labor, overhead and interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Capitalized interest was not significant for the periods shown.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings.....	27-30 years
Cable television transmission and distribution systems and related equipment.....	3-15 years
Vehicles and furniture and fixtures.....	3-5 years

Expenditures for maintenance and repairs are expensed as incurred.

## FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from one to twenty years. The carrying value of franchise costs is assessed for recoverability by management based on an analysis of undiscounted future expected cash flows from the underlying operations of the Company. Management believes that there has been no impairment thereof as of December 31, 1998.

## OTHER INTANGIBLE ASSETS

Certain loan costs have been deferred and are amortized to interest expense utilizing the straight-line method over the remaining term of the related debt. Use of the straight-line method approximates the results of the application of the interest method. The net amounts remaining at December 31, 1998 and 1997 were \$6,176,690 and \$7,166,450, respectively.

## CASH AND CASH EQUIVALENTS

All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

## REDEEMABLE PARTNERS' INTERESTS

The Partnership Agreement provides that if a certain partner dies or becomes disabled, that partner (or his personal representative) shall have the option, exercisable by notice given to the partners at any time within 270 days after his death or disability (except that if that partner dies or becomes disabled prior to August 31, 2000, the option may not be exercised until August 31, 2000 and then by notice by that partner or his personal representative given to the partners within 270 days after August 31, 2000) to sell, and require the General Partner and certain trusts controlled by that partner to sell, and the Partnership to purchase, up to 50% of the partnership interests owned by any of such partners and certain current and former members of management of Rifkin & Associates, Inc. that requests to sell their interest, for a purchase price equal to the fair market value of those interests determined by appraisal in accordance with the Partnership Agreement. Accordingly, the current fair value of such partnership interests have been reclassified outside of partners' capital.

## USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NEW ACCOUNTING PRONOUNCEMENT

In April 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5 "Reporting on the Costs of Start-Up Activities," which requires the Partnership to expense all start up costs related to organizing a new business. This new standard also includes one-time activities related to opening a new facility, introduction of a new product or service, or conducting business with a new class of customer or in a new territory. This standard is effective for the Partnership's 1999 fiscal year. Management believes that SOP 98-5 will have no material effect on its financial position or the results of operations.

## RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform with the 1998 financial statement presentation. Such reclassification had no effect on the net loss as previously stated.

## 2. SUBSEQUENT EVENT

On February 12, 1999, the Company signed a letter of intent for the partners to sell all of their partnership interests to Charter Communications ("Charter"). The Company and Charter are expected to sign a purchase agreement and complete the sale during the third quarter of 1999.

## 3. ACQUISITION OF CABLE PROPERTIES

## 1998 ACQUISITIONS

At various times during the second half of 1998, the Company completed three separate acquisitions of cable operating assets. Two of the acquisitions serve communities in Gwinnett County, Georgia (the "Georgia Systems"). These acquisitions were accounted for using the purchase method of accounting.

The third acquisition resulted from a trade of the Company's systems serving the communities of Paris and Piney Flats, Tennessee for the operating assets of another cable operator serving primarily the communities of Lewisburg and Crossville, Tennessee (the "Tennessee Trade"). The trade was for cable systems that are similar in size and was accounted for based on fair market value. Fair market value was established at \$3,000 per customer relinquished, which was based on recent sales transactions of similar cable systems. The transaction included the payment of approximately \$719,000, net, of additional cash (Note 4).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The combined purchase price was allocated based on estimated fair values from an independent appraisal to property, plant and equipment and franchise cost as follows (dollars in thousands):

GEORGIA TENNESSEE SYSTEMS TRADE TOTAL -----	
----- Fair value of assets relinquished (Note 4).....	\$ -- \$46,668 \$46,668 Cash paid.....
1,392 719 2,111 Acquisition Costs (appraisal, transfer fees and direct costs).....	26 76 102 ----- Total acquisition cost.....
\$48,881 =====	Allocation: Current assets.....
(2) \$ 447 \$ 445 Current liabilities.....	(1) (397) (398) Property, plant and equipment.....
333 11,811 12,144 Franchise Cost.....	1,088 35,602 36,690 ----- Total cost allocated.....
\$47,463 \$48,881 =====	=====

The fair value of assets relinquished from the Tennessee Trade was treated as a noncash transaction on the Consolidated Statement of Cash Flows. The cash acquisition costs were funded by proceeds from the Company's reducing revolving loan with a financial institution.

The following combined pro forma information presents a summary of consolidated results of operations for the Company as if the Tennessee Trade acquisitions had occurred at the beginning of 1997, with pro forma adjustments to show the effect on depreciation and amortization for the acquired assets, management fees on additional revenues and interest expense on additional debt (dollars in thousands):

YEARS ENDED -----	
12/31/98 12/31/97 -----	(UNAUDITED) Total
revenues.....	\$89,921 \$ 84,325 Net income
(loss).....	19,447 (29,631)

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the Tennessee Trade actually been acquired on January 1, 1997.

## 1997 ACQUISITIONS

On April 1, 1997, the Company acquired the cable operating assets of two cable systems serving the Tennessee communities of Shelbyville and Manchester (the "Manchester Systems"), for an aggregate purchase price of approximately \$19.7 million of which \$495,000 was paid as escrow in 1996. The acquisition was accounted for using the purchase method of accounting, and was funded by proceeds from the Company's reducing revolving loan with a financial institution. No pro forma information giving the effect of the acquisitions is shown due to the results being immaterial.

## 1996 ACQUISITIONS

On March 1, 1996, the Company acquired certain cable operating assets ("Mid-Tennessee Systems") from Mid-Tennessee CATV, L.P., and on April 1, 1996 acquired the cable operating assets ("RCT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Systems") from Rifkin Cablevision of Tennessee, Ltd. Both Mid-Tennessee CATV, L.P. and Rifkin Cablevision of Tennessee, Ltd. were affiliates of the General Partner. The acquisition costs were funded by \$15 million of additional partner contributions and the remainder from a portion of the proceeds received from the issuance of \$125 million of 11 1/8% Senior Subordinated Notes due 2006 (see Note 6).

The acquisitions were recorded using the purchase method of accounting. The results of operations of the Mid-Tennessee Systems have been included in the consolidated financial statements since March 1, 1996, and the results of the RCT Systems have been included in the consolidated financial statements since April 1, 1996. The combined purchase price was allocated based on estimated fair values from an independent appraisal to property, plant and equipment and franchise cost as follows (dollars in thousands):

Cash paid, net of acquired cash.....	\$71,582
Acquisition costs (appraisal, transfer fees, and direct costs).....	215
	-----
Total acquisition cost.....	\$71,797
	=====
Allocation:	
Current assets.....	\$ 624
Current liabilities.....	(969)
Property, plant and equipment.....	24,033
Franchise cost and other intangible assets.....	48,109
	-----
Total cost allocated.....	\$71,797
	=====

The following combined pro forma information presents a summary of consolidated results of operations for the Company as if the Mid-Tennessee Systems and the RCT Systems acquisitions had occurred at the beginning of 1996, with pro forma adjustments to show the effect on depreciation and amortization for the acquired assets, management fees on additional revenues and interest expense on additional debt (dollars in thousands):

YEAR ENDED 12/31/96 ----- (UNAUDITED) Total	
revenues.....	\$ 74,346 Net
loss.....	(22,558)

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the Mid-Tennessee Systems and the RCT Systems actually been acquired on January 1, 1996.

## 4. SALE OF ASSETS

On February 4, 1998, the Company sold all of its operating assets in the state of Michigan (the "Michigan Sale") to another cable operator for cash. In addition, on December 31, 1998, the Company traded

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

certain cable systems in Tennessee (the "Tennessee Trade") for similar-sized cable systems (Note 3). Both sales resulted in a gain recognized by the Company as follows (dollars in thousands):

MICHIGAN TENNESSEE SALE TRADE TOTAL	-----	-
----- Fair value of assets		
relinquished.....	\$ --	\$46,668
\$46,668 Original cash		
proceeds.....	16,931	--
16,931 Adjustments for value of assets and		
liabilities		
assumed.....		
120 (17) 103 -----		
----- Net		
proceeds.....		
17,051 46,651 63,702 Net book value of assets		
sold.....	11,061 9,778 20,839	-
----- Net gain from		
sale.....	\$ 5,990	
\$36,873 \$42,863 =====		

The Michigan Sale proceeds amount includes \$500,000 that is currently being held in escrow. This amount and the fair value of assets relinquished, related to the Tennessee Trade, were both treated as noncash transactions on the Consolidated Statement of Cash Flows.

The cash proceeds from the Michigan Sale were used by the Company to reduce its revolving and term loans with a financial institution.

5. INCOME TAXES

Although the Partnership is not a taxable entity, two corporations (the "subsidiaries") are included in the consolidated financial statements. These subsidiaries are required to pay taxes on their taxable income, if any.

The following represents a reconciliation of pre-tax losses as reported in accordance with generally accepted accounting principles and the losses attributable to the partners and included in their individual income tax returns:

YEAR ENDED	YEAR ENDED	YEAR ENDED	12/31/98
12/31/97	12/31/96	-----	-----
-	-----	Pre-tax income (loss) as	
reported.....	\$ 20,241,286		
\$(31,378,648)	\$(25,277,061)	(Increase)	
decrease due to: Separately taxed book			
results of corporate			
subsidiaries.....			
9,397,000 15,512,000 9,716,000	Effect of		
different depreciation and amortization			
methods for tax and book			
purposes.....			
(1,360,000) (2,973,000) (3,833,000)			
Additional tax gain from the sale of			
Michigan(Note 4).....			
2,068,000 -- --	Book gain from trade sale		
of Tennessee assets(Note			
4).....	(36,873,000)		
-- --	Additional tax loss from dissolution		
of FNI			
stock.....			
(7,235,000) -- --			
Other.....			
81,714 (45,052) (22,539) -----			
-----	Tax loss attributed		
to the partners.....	\$ (13,680,000)		
\$(18,884,700) \$(19,416,600) =====			
=====			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

As a result of a change in control in 1995, the book value of the Company's net assets was increased to reflect their fair market value. In connection with this revaluation, a deferred income tax liability in the amount of \$22,801,000 was established to provide for future taxes payable on the revised valuation of the net assets. A deferred tax benefit of \$4,196,000, \$5,335,000 and \$3,654,000 was recognized for the years ended December 31, 1998, 1997 and 1996, respectively, reducing the liability to \$7,942,000.

Deferred tax assets (liabilities) were comprised of the following at December 31, 1998 and 1997:

12/31/98	12/31/97	-----	-----
--- Deferred tax assets resulting from			
loss			
carryforwards.....			
\$ 11,458,000	\$ 9,499,000	Deferred tax	
liabilities resulting from depreciation			
and amortization.....			
(19,400,000)	(21,637,000)	-----	-
----- Net deferred tax			
liability.....		\$ (7,942,000)	
\$(12,138,000)	=====	=====	

As of December 31, 1998 and 1997, the subsidiaries have net operating loss carryforwards ("NOLs") for income tax purposes of \$30,317,000 and \$25,264,000, respectively, substantially all of which are limited. The NOLs will expire at various times between the years 2000 and 2013.

In 1998, one of the corporate entities was dissolved. The existing NOL's were used to offset taxable income down to \$87,751, resulting in a current tax for 1998 of \$18,075.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the subsidiaries generally would be entitled to reduce their future federal income tax liabilities by carrying the unused NOLs forward for a period of 15 years to offset their future income taxes. The subsidiaries' ability to utilize any NOLs in future years may be restricted, however, in the event the subsidiaries undergo an "ownership change" as defined in Section 382 of the Code. In the event of an ownership change, the amount of NOLs attributable to the period prior to the ownership change that may be used to offset taxable income in any year thereafter generally may not exceed the fair market value of the subsidiary immediately before the ownership change (subject to certain adjustments) multiplied by the applicable long-term, tax exempt rate published by the Internal Revenue Service for the date of the ownership change. Two of the subsidiaries underwent an ownership change on September 1, 1995 pursuant to Section 382 of the Code. As such, the NOLs of the subsidiaries are subject to limitation from that date forward. It is the opinion of management that the NOLs will be released from this limitation prior to their expiration dates and, as such, have not been limited in their calculation of deferred taxes.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The provision for income tax expense (benefit) differs from the amount which would be computed by applying the statutory federal income tax rate of 35% to pre-tax income before extraordinary loss as a result of the following:

YEARS ENDED -	-----	-----	-----
-----	12/31/98	12/31/97	12/31/96
	-----	-----	-----
	----- Tax		
	expense (benefit) computed at statutory		
	rate.....		
	\$ 7,084,450	\$(10,982,527)	\$(8,846,971)
	Increase (decrease) due to: Tax benefit		
	(expense) for non-corporate		
	loss.....		
	(10,373,252)	5,900,546	5,446,721
	Permanent differences between financial statement		
	income and taxable income.....		
		(36,200)	
	84,500	48,270	State income
	tax.....		
		(247,000)	
	(377,500)	(252,590)	Tax benefit from
	dissolved corporation.....		
		(148,925)	-- --
	Other.....		
	(456,998)	39,981	(41,149)
	-----		
	----- Income Tax		
	Benefit.....		
		\$	
	(4,177,925)	\$ (5,335,000)	\$(3,645,719)
	=====	=====	=====

## 6. NOTES PAYABLE

Debt consisted of the following:

DECEMBER 31,	DECEMBER 31,	-----
1998	1997	-----
		-----
		----- Senior
		Subordinated
		Notes.....
	\$125,000,000	\$125,000,000
		Tranche A Term
		Loan.....
	21,575,000	25,000,000
		Tranche B Term
		Loan.....
	40,000,000	40,000,000
		Reducing Revolving
		Loan.....
	35,000,000	36,500,000
		Senior Subordinated
		Debt.....
	3,000,000	3,000,000
		-----
		-----
	\$224,575,000	\$229,500,000
	=====	=====

The Notes and loans are collateralized by substantially all of the assets of the Company.

On January 26, 1996, the Company and its wholly-owned subsidiary, RACC (the "Issuers"), co-issued \$125,000,000 of 11 1/8% Senior Subordinated Notes (the "Notes") to institutional investors. These notes were subsequently exchanged on June 18, 1996 for publicly registered notes with identical terms. Interest on the Notes is payable semi-annually on January 15 and July 15 of each year. The Notes, which mature on January 15, 2006, can be redeemed in whole or in part, at the Issuers' option, at any time on or after January 15, 2001, at redeemable prices contained in the Notes plus accrued interest. In addition, at any time on or prior to January 15, 1999, the Issuers, at their option, may redeem up to 25% of the principle amount of the Notes issued to institutional investors of not less than \$25,000,000. At December 31, 1998 and 1997, all of the Notes were outstanding (see also Note 10).

The Company has a \$25,000,000 Tranche A term loan with a financial institution. This loan requires quarterly payments of \$1,875,000 plus interest commencing on March 31, 2000. Any unpaid balance is due



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

March 31, 2003. The agreement requires that what it defines as excess proceeds from the sale of a cable system be used to retire Tranche A term debt. As a result of the Michigan sale (Note 4), there was \$3,425,000 of excess proceeds used to pay principal in 1998. The interest rate on the Tranche A term loan is either the bank's prime rate plus .25% to 1.75% or LIBOR plus 1.5% to 2.75%.

The specific rate is dependent upon the senior funded debt ratio which is recalculated quarterly. The weighted average effective interest rate at December 31, 1998 and 1997 was 7.59% and 8.24%, respectively.

In addition, the Company has a \$40,000,000 Tranche B term loan, which requires principal payments of \$2,000,000 on March 31, 2002, \$18,000,000 on March 31, 2003, and \$20,000,000 on March 31, 2004. The Tranche B term loan bears an interest rate of 9.75% and is payable quarterly.

The Company also has a reducing revolving loan providing for borrowing up to \$20,000,000 at the Company's discretion, subject to certain restrictions, and an additional \$60,000,000 available to finance acquisitions subject to certain restrictions. On March 4, 1998, the reducing revolving loan agreement was amended to revise the scheduled reduction in revolving commitments. The additional financing amounts available at December 31, 1998 and 1997 were \$45,000,000 and \$52,500,000, respectively. At December 31, 1998, the full \$20,000,000 available had been borrowed, and \$15,000,000 had been drawn against the \$45,000,000 commitment. At December 31, 1997, the full \$20,000,000 available had been borrowed, and \$16,500,000 had been drawn against the \$52,500,000 commitment. The amount available for borrowing will decrease annually during its term with changes over the four years following December 31, 1998 as follows: 1999 -- \$2,500,000 reduction per quarter, and 2000 through 2002 -- \$3,625,000 per quarter. Any unpaid balance is due on March 31, 2003. The revolving loan bears an interest rate of either the bank's prime rate plus .25% to 1.75% or LIBOR plus 1.5% to 2.75%. The specific rate is dependent upon the senior funded debt ratio which is recalculated quarterly. The weighted average effective interest rates at December 31, 1998 and 1997 was 8.08% and 8.29%, respectively. The reducing revolving loan includes a commitment fee of 1/2% per annum on the unborrowed balance.

Certain mandatory prepayments may also be required, commencing in fiscal 1997, on the Tranche A term loan, the Tranche B term loan, and the reducing revolving credit based on the Company's cash flow calculations, proceeds from the sale of a cable system or equity contributions. Based on the 1998 calculation and the Michigan sale, \$3,425,000 of prepayments were required. Optional prepayments are allowed, subject to certain restrictions. The related loan agreement contains covenants limiting additional indebtedness, dispositions of assets, investments in securities, distribution to partners, management fees and capital expenditures. In addition, the Company must maintain certain financial levels and ratios. At December 31, 1998, the Company was in compliance with these covenants.

The Company also has \$3,000,000 of senior subordinated debt payable to a Rifkin Partner. The debt has a scheduled maturity, interest rate and interest payment schedule identical to that of the Notes, as discussed above.

Based on the outstanding debt as of December 31, 1998, the minimum aggregate maturities for the five years following 1998 are none in 1999, \$7,500,000 in 2000, \$16,500,000 in 2001, \$23,075,000 in 2002 and \$29,500,000 in 2003.

## 7. RELATED PARTY TRANSACTIONS

The Company entered into a management agreement with Rifkin & Associates, Inc. (Rifkin). The management agreement provides that Rifkin will act as manager of the Company's CATV systems and be entitled to annual compensation of 3.5% of the Company's revenue. Effective September 1, 1998, Rifkin conveyed its CATV management business to R & A Management, LLC (RML). The result of this transaction included the conveyance of the Rifkin management agreement (Rifkin Agreement) to RML

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(RML Agreement). Expenses incurred pursuant to the Rifkin Agreement and the RML Agreement are disclosed in total on the Consolidated Statement of Operations.

The Company is associated with a company to purchase certain cable television programming at a discount. Rifkin acted as the agent and held the deposit funds required for the Company to participate.

Effective September 1, 1998, Rifkin conveyed this contract and deposit amount to RML. The deposit amount recorded at December 31, 1998 and 1997 was \$2,139,274 and \$1,225,274, respectively. The Company subsequently received \$1,225,274 of the December 31, 1998 balance.

The Company paid approximately \$550,000 to a law firm in connection with the public offering in 1996. A partner of this law firm is a relative of one of the Company's partners.

## 8. COMMITMENTS AND RENTAL EXPENSE

The Company leases certain real and personal property under noncancelable operating leases expiring through the year 2007. Future minimum lease payments under such noncancelable leases as of December 31, 1998 are: \$316,091 in 1999; \$249,179 in 2000; \$225,768 in 2001; \$222,669 in 2002; and \$139,910 in 2003; and \$344,153 thereafter, totaling \$1,497,770.

Total rental expense and the amount included therein which pertains to cancelable pole rental agreements were as follows for the periods indicated:

	TOTAL CANCELABLE RENTAL POLE RENTAL PERIOD EXPENSE	EXPENSE
-----	-----	-----
----- Year Ended		
December 31,		
1998.....	\$1,592,080	\$1,109,544
Year Ended December		
31,		
1997.....	\$1,577,743	\$1,061,722
Year Ended December		
31,		
1996.....	\$1,294,084	\$ 874,778

## 9. COMPENSATION PLANS AND RETIREMENT PLANS

## EQUITY INCENTIVE PLAN

In 1996, the Company implemented an Equity Incentive Plan (the "Plan") in which certain Rifkin & Associates' executive officers and key employees, and certain key employees of the Company are eligible to participate. Plan participants in the aggregate, have the right to receive (i) cash payments of up to 2.0% of the aggregate value of all partnership interests of the Company (the "Maximum Incentive Percentage"), based upon the achievement of certain annual Operating Cash Flow (as defined in the Plan) targets for the Company for each of the calendar years 1996 through 2000, and (ii) an additional cash payment equal to up to 0.5% of the aggregate value of all partnership interests of the Company (the "Additional Incentive Percentage"), based upon the achievement of certain cumulative Operating Cash Flow targets for the Company for the five-year period ended December 31, 2000. Subject to the achievement of such annual targets and the satisfaction of certain other criteria based on the Company's operating performance, up to 20% of the Maximum Incentive Percentage will vest in each such year; provided, that in certain events vesting may accelerate. Payments under the Plan are subject to certain restrictive covenants contained in the Notes.

No amounts are payable under the Plan except upon (i) the sale of substantially all of the assets or partnership interests of the Company or (ii) termination of a Plan participant's employment with Rifkin & Associates or the Company, as applicable, due to (a) the decision of the Advisory Committee to terminate such participant's employment due to disability, (b) the retirement of such participant with the Advisory Committee's approval or (c) the death of such Participant. The value of amounts payable pursuant to



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

clause (i) above will be based upon the aggregate net proceeds received by the holders of all of the partnership interests in the Company, as determined by the Advisory Committee, and the amounts payable pursuant to clause (ii) above will be based upon the Enterprise Value determined at the time of such payment. For purposes of the Plan, Enterprise Value generally is defined as Operating Cash Flow for the immediately preceding calendar year times a specified multiple and adjusted based on the Company's working capital.

The amount expensed for the years ended December 31, 1998, 1997 and 1996 relating to this plan were \$1,119,996, \$859,992 and \$660,000, respectively.

## RETIREMENT BENEFITS

The Company has a 401(k) plan for employees that have been employed by the Company for at least one year. Employees of the Company can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1998 contribution of \$10,000 (as set by the Internal Revenue Service). The Company matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Company contributions and earnings vest 20% per year of employment with the Company, becoming fully vested after five years. The Company's matching contributions for the years ended December 31, 1998, 1997 and 1996 were \$50,335, \$72,707 and \$42,636, respectively.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Company to estimate the fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents, Customer Accounts Receivable, Other Receivables, Accounts Payable and Accrued Liabilities and Customer Deposits and Prepayments: The carrying value amount approximates fair value because of the short period to maturity.

Debt: The fair value of bank debt is estimated based on interest rates for the same or similar debt offered to the Company having the same or similar remaining maturities and collateral requirements. The fair value of public Senior Subordinated Notes is based on the market quoted trading value. The fair value of the Company's debt is estimated at \$236,137,500 and is carried on the balance sheet at \$224,575,000.

## 11. CABLE REREGULATION

Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the Cable Act) and has amended it at various times since.

The total effects of the present law are, at this time, still unknown. However, one provision of the present law further redefines a small cable system, and exempts these systems from rate regulation on the upper tiers of cable service. The Partnership is awaiting an FCC rulemaking implementing the present law to determine whether its systems qualify as small cable systems.

## 12. SUMMARIZED FINANCIAL INFORMATION

CEM, CEI and CEC (collective, the "Guarantors") are all wholly-owned subsidiaries of the Company and, together with RACC, constitute all of the Partnership's direct and indirect subsidiaries. As discussed in Note 1, RTL and FNI were dissolved on January 1, 1998 and the assets were transferred to the Company, however, prior thereto, RTL and FNI, as wholly-owned subsidiaries of the Company, were Guarantors. Each of the Guarantors provides a full, unconditional, joint and several guaranty of the obligations under the Notes

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

discussed in Note 6. Separate financial statements of the Guarantors are not presented because management has determined that they would not be material to investors.

The following tables present summarized financial information of the Guarantors on a combined basis as of December 31, 1998 and 1997 and for the years ended December 31, 1998, and 1997 and 1996.

12/31/98	12/31/97	BALANCE SHEET	---
-----			
Cash.....	\$ 373,543	\$ 780,368	Accounts and other receivables,
net.....	3,125,830	3,012,571	Prepaid expenses.....
791,492	970,154	Property, plant and equipment net... 48,614,536	
66,509,120		Franchise costs and other intangible assets, net.....	
56,965,148	103,293,631	Accounts payable and accrued liabilities.....	
22,843,354	18,040,588	Other liabilities.....	
980,536	1,122,404	Deferred taxes payable.....	7,942,000
	12,138,000	Notes payable.....	
140,050,373	167,200,500	Equity (deficit).....	(61,945,714) (23,935,648)

YEAR ENDED	YEAR ENDED	YEAR ENDED	STATEMENTS OF
ENDED 12/31/98	12/31/97	12/31/96	OPERATIONS
-----			
			Total
revenue.....	\$ 29,845,826	\$ 47,523,592	\$
42,845,044	Total costs and expenses.....	(31,190,388)	(53,049,962)
(43,578,178)	Interest expense.....	(14,398,939)	(17,868,497)
(16,238,221)	Income tax benefit.....	4,177,925	5,335,000
3,645,719			
			Net
loss.....	\$(11,565,576)	\$(18,059,867)	\$(13,325,636)
			=====
			=====

## 13. QUARTERLY INFORMATION (UNAUDITED)

The following interim financial information of the Company presents the 1998 and 1997 consolidated results of operations on a quarterly basis (in thousands):

QUARTERS ENDED 1998	-----		
----	MARCH 31(A)	JUNE 30	SEPT. 30
DEC. 31(B)	-----		
-----			
Revenue.....	\$22,006	\$22,296	\$22,335
			\$23,284
Operating income			
(loss).....	295	511	(1,522)
1,756	Net income		

(loss)..... 1,437  
(4,458) (5,907) 33,347

- 
- (a) First quarter includes a \$5,900 gain from the sale of Michigan assets (Note 4).
  - (b) Fourth quarter includes a \$36,873 gain from the trade sale of certain Tennessee assets (Note 4).



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

QUARTERS ENDED 1997 - -----	----- MARCH 31			
JUNE 30	SEPT. 30	DEC. 31	-----	
-----				
Revenue.....	\$19,337	\$21,331	\$21,458	\$22,199
	Operating			
loss.....	(2,818)	(2,777)	(798)	(1,220) Net
loss.....	(5,998)	(6,890)	(8,127)	(5,029)

## 14. LITIGATION

The Company could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Company will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Company's financial position or results of operations.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
Indiana Cable Associates, Ltd.

In our opinion, the accompanying balance sheet and the related statements of operations, of equity and of cash flows present fairly, in all material respects, the financial position of Rifkin Cable Income Partners L.P. (the "Partnership") at September 13, 1999, and the results of its operations and its cash flows for the period January 1, 1999 to September 13, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

On September 13, 1999, all of the Partnership's interest were sold to Charter Communications, LLC. These financial statements represent the Partnership just prior to that transaction and do not reflect any adjustments related thereto.

/S/ PRICEWATERHOUSECOOPERS LLP

DENVER, COLORADO  
FEBRUARY 15, 2000

## INDIANA CABLE ASSOCIATES, LTD.

## BALANCE SHEET

SEPTEMBER 13, 1999 ----- ASSETS

Cash.....			
\$ 166,550	Customer accounts receivable, less allowance for doubtful accounts of		
\$6,523.....	Accounts receivable,	211,069	
interpartnership.....	13,814,907	Other receivables.....	
	436,723	Prepaid expenses and deposits.....	50,196
		Property, plant and equipment, at cost: Transmission and distribution systems and related equipment.....	
	10,025,106	Buildings and leasehold improvements.....	55,480
		Vehicles, office furniture and fixtures.....	493,607
		Spare parts and construction inventory.....	
	101,334	Less accumulated depreciation.....	(838,673)
		Property, plant and equipment, net.....	9,836,854
		Franchise costs, net of accumulated amortization of	
\$2,910,123.....			
	18,944,392	Total	
assets.....			\$43,460,691
=====	LIABILITIES AND EQUITY	Liabilities: Accrued liabilities.....	\$
		263,342	Customer deposits and prepayments.....
		314,413	Accounts payable, related party.....
		20,514	Interpartnership debt.....
		24,003,000	Total
liabilities.....			24,601,269
			Commitments and contingencies (Notes 4 and 8) Divisional equity.....
			18,859,422
		Total	
equity.....			18,859,422
		Total liabilities and equity.....	\$43,460,691
			=====

The accompanying notes are an integral part of these financial statements.

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF OPERATIONS

JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - -----

## REVENUE

Service.....		
	\$ 5,267,890	Installation and
other.....	765,902	-----
	-----	Total
revenue.....		
	6,033,792	COSTS AND EXPENSES Operating
expense.....	631,956	
		Programming
expense.....	1,268,904	
		Selling, general and administrative
	1,143,407	expense.....
Depreciation.....		
	1,009,515	
Amortization.....		
	2,910,123	Management
fees.....	301,890	
		Loss on disposal of
assets.....	2,481,838	-----
	-----	Total costs and
expenses.....	9,747,633	-----
	-----	Operating
loss.....		
	(3,713,841)	Interest
expense.....	621,956	
	-----	Net
loss.....		
	\$ (4,335,797)	=====

The accompanying notes are an integral part of these financial statements.

F-251

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF EQUITY

JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - .....		
----- DIVISIONAL EQUITY TOTAL -----		
----- Equity		
contribution.....		
	\$23,195,219	\$23,195,219 Net
loss.....		
(4,335,797) (4,335,797) -----		
Equity, September 13,		
1999.....		\$18,859,422
	\$18,859,422 =====	=====

The accompanying notes are an integral part of these financial statements.

F-252

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF CASH FLOWS

JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - -----  
 --- CASH FLOWS FROM OPERATING ACTIVITIES Net  
 loss.....  
 \$ (4,335,797) Adjustments to reconcile net loss to net  
 cash provided by operating activities: Depreciation and  
 amortization..... 3,919,638  
 Loss on disposal of  
 assets..... 2,481,838  
 Increase in customer accounts  
 receivable..... (125,274) Increase in  
 accounts receivable, interpartnership.....  
 (13,814,907) Increase in other  
 receivables..... (141,700)  
 Decrease in prepaid expenses and  
 deposits..... 102,379 Increase in accrued  
 liabilities..... (634,431)  
 Increase in customer deposits and  
 prepayments..... 266,955 Increase in accounts  
 payable, related party..... 20,514 -----  
 -- Net cash used in operating  
 activities..... (12,260,785) -----  
 CASH FLOWS FROM INVESTING ACTIVITIES Initial cash  
 acquisition cost, net of cash acquired.....  
 (23,086,600) Purchases of property, plant and  
 equipment..... (2,054,791) Proceeds from  
 sale of assets..... 2,734  
 Additions to franchise  
 costs..... (25,597) -----  
 ---- Net cash used in investing  
 activities..... (25,164,254) -----  
 CASH FLOWS FROM FINANCING ACTIVITIES Capital  
 contributions.....  
 23,195,219 Proceeds from interpartnership  
 debt..... 14,807,682 Payments on  
 interpartnership debt.....  
 (411,312) ----- Net cash provided by financing  
 activities..... 37,591,589 -----  
 Increase in  
 cash.....  
 166,550 Cash, beginning of  
 period..... -----  
 -- Cash, end of  
 period..... \$  
 166,550 ===== SUPPLEMENTAL CASH FLOW INFORMATION  
 Interest  
 paid..... \$  
 621,956 =====

The accompanying notes are an integral part of these financial statements.

INDIANA CABLE ASSOCIATES, LTD.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Indiana Cable Associates, Ltd. (the "Partnership"), a Colorado limited partnership, was originally organized in March 1987 for the purpose of acquiring and operating cable television systems and related operations in Indiana and Illinois.

ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP AND BASIS OF PRESENTATION

Effective December 31, 1998, Interlink Communications Partners, LLLP ("ICP") acquired all of the Partnership's limited partner interest, and agreed to purchase all of the general Partners' interest for \$23.1 million. This transaction was accounted for as a purchase; as such, assets and liabilities were written up to their fair value, resulting in an increase to property, plant and equipment and franchise costs of \$7.0 million and \$16.8 million, respectively.

Effective April 1, 1999, ICP completed the purchase of the remaining general partner interest in the Partnership and the Partnership was merged into ICP and ceased to exist as a separate legal entity. The Partnership's financial statements subsequent to that date represent a divisional carve-out from ICP.

These financial statements include all the direct costs of operating its business; however, certain assets, liabilities and costs not specifically related to the Partnership's activities were allocated and reflected in the financial position as of September 13, 1999, and the results of its operations and its cash flows for the period January 1, 1999 to September 13, 1999. Allocations from ICP include amounts for debt, interest expense and management expense. Both debt and interest expense were allocated pro rata based on the Partnership's percentage of subscribers to total ICP subscribers. Management expense was allocated in accordance with the management agreement (Note 2). In addition, receivables and payables to ICP are presented in the accompanying financial statements net as amounts due to/from interpartnership. Management believes these allocations were made on a reasonable basis. Nonetheless, the financial information included herein may not necessarily reflect what the financial position and results of operations of the Partnership would have been as a stand-alone entity.

ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interest to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sales Agreement with Charter for the sale of the individual partner's interest. The sales transaction closed on September 13, 1999. These financial statements represent the Partnership just prior to the transaction and do not reflect any related adjustments.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed, include amounts for material, labor, overhead and capitalized interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Transmission and distribution systems and related equipment.....	1-15 years
Buildings and leasehold improvements.....	5-27 years
Vehicles, office furniture and fixtures.....	2-5 years

## NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

## FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from 2 to 10 years. The carrying value is assessed for recoverability by management based on an analysis of undiscounted expected future cash flows. The Partnership's management believes that there has been no impairment thereof as of September 13, 1999.

## INCOME TAXES

No provision for federal or state income taxes is necessary in the financial statements of the Partnership, because as a partnership, it is not subject to federal or state income tax as the tax effect of its activities accrues to the partners.

## REVENUE RECOGNITION

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

## ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the period shown.

## USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. MANAGEMENT AGREEMENT

The Partnership has a management agreement with R & A Management, LLC ("RML"). The management agreement provides that RML shall manage the Partnership and shall receive annual compensation equal to 5% of gross revenues and an additional 5% if a defined cash flow level is met. The result of this transaction included the conveyance of the Rifkin management agreement (the "Rifkin Agreement") to RML (the "RML Agreement"). Expenses incurred pursuant to this agreement are disclosed in the Consolidated Statement of Operations.

## 3. DEBT

The Partnership has interpartnership debt with ICP. Borrowings, including both principal and interest, at September 13, 1999 were \$24,003,000 and had an effective interest rate of 8.68%.

ICP has a term loan and revolving loan agreement with a bank. The amount of the term loan is \$150,000,000, and requires varying quarterly payments plus interest commencing September 30, 2001 and continuing through March 31, 2007. On February 1, 1999, the term loan agreement was amended to increase the loan amount to \$250,000,000. On July 16, 1999, the term loan agreement was amended again to increase the loan amount to \$290,000,000. The interest rate on the term loan is generally the bank's prime rate plus 0% to 1.50%. The weighted average effective rate at September 13, 1999 was 8.74%.

The revolving loan agreement provided for borrowing up to \$100,000,000 at the Company's discretion. At September 13, 1999, \$91,000,000 had been drawn against the \$100,000,000 commitment. The revolving credit



## NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

agreement expires on March 31, 2007. The revolver bears an interest rate at the bank's prime rate plus 0% to 1.50% or LIBOR plus 1.25% to 2.75%. The specific rate is dependent upon the leverage ratio of ICP, which is recalculated quarterly. The weighted average effective interest rate at September 13, 1999 was 8.5%.

The term loan and revolving loan agreement are collateralized by substantially all assets of ICP and its consolidated entities, including the Partnership.

## 4. LEASE COMMITMENTS

The Partnership leases certain real and personal property under noncancelable operating leases. Future minimum lease payments under these arrangements at September 13, 1999, were as follows:

1999.....	\$ 77,802
2000.....	57,386
2001.....	45,749
2002.....	43,500
2003.....	43,500
Thereafter.....	40,875
	-----
	\$308,812
	=====

Total rent expense for the period January 1, 1999 to September 13, 1999 was \$77,802, including \$43,253 relating to cancelable pole rental agreements.

## 5. RETIREMENT BENEFITS

The Partnership has a 401(k) plan for its employees that have been employed by the Partnership for at least one year. Employees of the Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1999 contribution of \$10,000 (as set by the Internal Revenue Service). The Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Partnership contributions and earnings vest 20% per year of employment with the Partnership, becoming fully vested after five years. The Partnership's matching contributions for the period January 1, 1999 to September 13, 1999 were \$10,524.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Partnership to estimate the fair values of financial instruments as disclosed herein:

Cash, customer accounts receivable, other receivables, accounts payable and accrued liabilities and customer deposits and prepayments: The carrying value amount approximates fair value because of the short period to maturity.

The interest rate on debt is adjusted at least quarterly; therefore, the carrying value of debt approximates its fair value.

## 7. RELATED PARTY TRANSACTIONS

Certain Partnership expenses were paid by Charter and are reflected as Payables to affiliates in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

## 8. LITIGATION

The Partnership could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Partnership will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Partnership's financial position or results of operations.

## REPORT OF INDEPENDENT AUDITORS

The Partners  
Indiana Cable Associates, Ltd.

We have audited the accompanying balance sheet of Indiana Cable Associates, Ltd. as of December 31, 1997 and 1998, and the related statements of operations, partners' deficit and cash flows for the years ended December 31, 1996, 1997 and 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Cable Associates, Ltd. at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years ended December 31, 1996, 1997 and 1998 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Denver, Colorado  
February 19, 1999

## INDIANA CABLE ASSOCIATES, LTD.

BALANCE SHEET  
DECEMBER 31, 1997 AND 1998

1997	1998	ASSETS (PLEGDED)	
Cash and cash equivalents.....	\$ 82,684	\$ 108,619	
Customer accounts receivable, less allowance for doubtful accounts of \$18,311 in 1997 and \$24,729 in 1998.....	87,154	85,795	Other receivables.....
Prepaid expenses and deposits.....	257,236	295,023	Property, plant and equipment, at cost:
Buildings.....	172,614	152,575	
Transmission and distribution systems and related equipment.....	78,740	91,682	
Office furniture and equipment.....	10,174,650	11,336,892	
Spare parts and construction inventory.....	435,554	742,022	
Less accumulated depreciation.....	10,833,081	12,331,923	
Net property, plant and equipment.....	8,008,158	3,208,511	4,323,765
Other assets, at cost less accumulated amortization (Note 3).....	5,817,422	5,083,029	
Total assets.....	\$ 10,048,806		\$ 9,625,621
LIABILITIES AND PARTNERS' DEFICIT			
Liabilities: Accounts payable and accrued liabilities.....	\$ 718,716	\$ 897,773	
Customer prepayments.....	47,458	Interest	50,693
Long-term debt (Note 4).....	10,650,000	Interpartnership debt (Note 4).....	9,606,630
Total liabilities.....	11,451,884		
Commitments (Notes 5 and 6) Partners' deficit: General partner.....	(66,418)	(20,106)	Limited partner.....
Total partners' deficit.....	(1,759,845)	(482,949)	
Total liabilities and partners' deficit.....	\$ 9,625,621		
	\$10,048,806		

See accompanying notes.

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF OPERATIONS

YEARS ENDED -	-----		
12/31/96	12/31/97	12/31/98	-----
			----- REVENUE:
Service.....			.....
\$6,272,049	\$6,827,504	\$7,165,843	Installation and
other.....			538,158 622,699
773,283			----- Total
revenue.....			6,810,207
7,450,203	7,939,126		COSTS AND EXPENSES: Operating
expense.....			989,456
1,142,932	974,617		Programming
expense.....			1,474,067
1,485,943	1,727,089		Selling, general and
administrative expense.....			1,112,441 1,142,247
	1,128,957		
Depreciation.....			.....
	889,854	602,554	537,884
Amortization.....			.....
	718,334	718,335	707,539 Management
fees.....			340,510
372,510	396,956		Loss on disposal of
assets.....			6,266 639 74,714 -
			----- Total costs and
expenses.....			5,530,928 5,465,160
5,547,756			----- Operating
income.....			.....
1,279,279	1,985,043	2,391,370	Interest
expense.....			.....
1,361,415	1,292,469	970,160	-----
			----- Net income (loss) before extraordinary
			item..... (82,136) 692,574 1,421,210
Extraordinary item--loss on early retirement of debt			
(Note 3 and 4).....			
-- -- 98,002			----- Net
income (loss).....			\$
(82,136) \$ 692,574 \$1,323,208			=====
			=====

See accompanying notes.

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF PARTNERS' DEFICIT

GENERAL LIMITED PARTNERS	PARTNERS	TOTAL	----
----- Partners'			
deficit at December 31, 1995.....			
\$(87,783)	\$(2,348,918)	\$(2,436,701)	Net loss
for the year ended December 31, 1996...			
(2,875)	(79,261)	(82,136)	-----
-- - ----- Partners' deficit at			
December 31, 1996..... (90,658)			
(2,428,179)	(2,518,837)		Net income for the
year ended December 31,			
1997.....			.....
24,240	668,334	692,574	-----
- ----- Partners' deficit at December			
31, 1997..... (66,418) (1,759,845)			
(1,826,263)			Net income for the year ended
December 31,			
1998.....			.....
46,312	1,276,896	1,323,208	-----
--- - ----- Partners' deficit at			
December 31, 1998..... \$(20,106) \$			
(482,949)	\$ (503,055)	=====	=====
=====			

The partners' capital accounts for financial reporting purposes vary from the tax capital accounts.

See accompanying notes.

## INDIANA CABLE ASSOCIATES, LTD.

## STATEMENT OF CASH FLOWS

YEARS ENDED -	-----	-----	-----
-----	12/31/96	12/31/97	12/31/98
CASH FLOWS FROM			
OPERATING ACTIVITIES: Net income			
(loss).....	\$		
(82,136)	\$ 692,574	\$ 1,323,208	Adjustments to
			reconcile net income (loss) to net cash
			provided by operating activities: Depreciation
			and amortization.....
	1,608,188		
	1,320,889	1,245,423	Amortization of deferred
			loan costs.....
	48,764	72,922	23,149
			Loss on disposal of
assets.....	6,266	639	74,714
			Loss on write-off of deferred loan cost
			associated with early retirement of
debt.....	--	--	95,832
			Decrease
			(increase) in customer accounts
receivable.....			
(13,110)	1,536	1,359	Increase in other
			receivables.....
			(80,843)
	(108,256)	(37,787)	Decrease (increase) in
			prepaid expenses and
deposits.....			
(53,259)	(5,928)	20,039	Increase (decrease) in
			accounts payable and accrued
			liabilities.....
(190,357)	(147,971)	179,057	Increase (decrease)
			in customer prepayments.....
	16,355	(13,190)	
			(3,235) Decrease in interest
payable.....	(12,314)	(39,471)	
(32,475)			-----
			Net cash provided by operating activities....
1,247,554	1,773,744	2,889,284	CASH FLOWS FROM
			INVESTING ACTIVITIES: Purchases of property,
			plant and equipment.....
	(675,244)		
	(592,685)	(1,732,831)	Proceeds from sale of
			assets.....
	227,025	23,662	
	4,979		-----
			Net cash used in investing activities.....
(448,219)	(569,023)	(1,727,852)	CASH FLOWS FROM
			FINANCING ACTIVITIES: Proceeds from long-term
			debt.....
	2,000,000		
	1,450,000	10,636,421	Proceeds from
			interpartnership debt.....
			-- --
			9,606,630
			Deferred loan
			cost.....
(70,000)	(29,776)	(92,127)	Payments of long-
			term debt.....
(2,200,000)	(3,100,000)	(21,286,421)	-----
			Net cash used in
			financing activities.....
(1,679,776)	(1,135,497)		-----
			Net increase (decrease) in cash
			and cash equivalents... 529,335 (475,055)
			25,935
			Cash and cash equivalents at beginning
			of year.....
	28,404	557,739	82,684
			-----
			Cash and cash
			equivalents at end of year.....
	\$		
	557,739	\$ 82,684	\$ 108,619
			=====
			SUPPLEMENTAL CASH FLOW
			INFORMATION: Interest
paid.....			\$
1,324,965	\$ 1,258,078	\$ 947,606	=====
			=====

See accompanying notes.

## INDIANA CABLE ASSOCIATES, LTD.

## NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

## GENERAL INFORMATION:

Indiana Cable Associates, Ltd. (the "Partnership"), a Colorado limited partnership, was organized in March 1987 for the purpose of acquiring and operating cable television systems and related operations in Indiana and Illinois.

For financial reporting purposes, Partnership profits or losses are allocated 3.5% to the general partners and 96.5% to the limited partners. Limited partners are not required to fund any losses in excess of their capital contributions.

## ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP:

Interlink Communications Partners, LLLP ("ICP") agreed to purchase all of the interests of the Partnership. ICP acquired all of the limited partner interests, effective December 31, 1998, and is currently in the process of obtaining the necessary consents to transfer all of the Partnership's franchises to ICP. Once these are obtained, ICP will then purchase the general partner interest in the Partnership, and the Partnership will, by operation of law, be consolidated into ICP.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## PROPERTY, PLANT AND EQUIPMENT:

The Partnership records additions to property, plant and equipment at cost, which in the case of assets constructed includes amounts for material, labor, overhead and capitalized interest, if applicable.

For financial reporting purposes, the Partnership uses the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Buildings and improvements.....	5-30 years
Transmission and distribution systems and related equipment.....	3-15 years
Office furniture and equipment.....	5 years

## OTHER ASSETS:

Other assets are carried at cost and are amortized on a straight-line basis over the following lives:

Franchises	-- the terms of the franchises (10-19 1/2 years)
Goodwill agreement	-- the term of the Partnership (12 3/4 years)
Deferred loan costs	-- the term of the debt (1-6 years)
Organization costs	-- 5 years

## INCOME TAXES:

No provision for the payment or refund of income taxes has been provided for the Partnership since the partners are responsible for reporting their distributive share of Partnership net income or loss in their personal capacities.



## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## CASH AND CASH EQUIVALENTS:

The Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## REVENUE RECOGNITION:

Customer fees are recorded as revenue in the period the service is provided.

## FAIR VALUE OF FINANCIAL INVESTMENTS:

The carrying values of cash and cash equivalents, customer accounts receivable, accounts payable and interpartnership debt approximate fair value.

## USE OF ESTIMATES:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## IMPACT OF YEAR 2000 (UNAUDITED):

The Partnership recognizes that certain of its time-sensitive computer programs and product distribution equipment may be affected by conversion to the year 2000. During 1998, management began their evaluation of the information systems, product distribution facilities, and vendor and supplier readiness. To date, considerable progress has been made to complete the evaluation process, to integrate and test compliance installations, and to prepare contingency plans. In addition, third party suppliers are either fully compliant or are expected to be compliant by December 31, 1999. Management expects to have all systems compliant, or have a contingency plan in effect that will result in minimal impact on the operations.

## NEW ACCOUNTING PRONOUNCEMENT:

In April 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5 "Reporting on the Costs of Start-Up Activities," which requires the Partnerships to expense all start-up costs related to organizing a new business. This new standard also includes one-time activities related to opening a new facility, introduction of a new product or service, or conducting business with a new class of customer or in a new territory. This standard is effective for the Partnerships' 1999 fiscal year. Organization costs are all fully amortized resulting in SOP 98-5 having no material effect on its financial position or the results of operations.

## RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION:

Certain reclassifications have been made to the 1996 and 1997 financial statements to conform with the 1998 financial statement presentation. Such reclassifications had no effect on the net income or loss as previously stated.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## 3. OTHER ASSETS

At December 31, 1997 and 1998, other assets consisted of the following:

	1997	1998	
Franchises.....	\$13,144,332	\$12,996,580	
Goodwill.....	378,336	378,336	Deferred loan
costs.....			26,854 - -
			Organization
costs.....			63,393
63,393			13,612,915
			13,438,309 Less accumulated
amortization.....			7,795,493
8,355,280			\$ 5,817,422 \$
			5,083,029 =====

On December 31, 1997, the loan agreement with a financial institution was amended (Note 4). At that time, the original loan's costs, which were fully amortized, and the accumulated amortization were written off. The bank loan amendment required the payment of additional loan costs which will be amortized over the remaining term of the bank loan.

On August 31, 1998, the loan with a financial institution and the subordinated debt loan with two investor groups were paid in full (Note 4). The related deferred loan costs and associated accumulated amortization were written off and \$9,263 was recorded as an extraordinary loss. On December 30, 1998, the new loan agreement with a financial institution was paid in full (Note 4). The related deferred loan costs and associated accumulated amortization were written off and \$86,569 was recorded as an extraordinary loss.

## 4. DEBT

The Partnership had a revolving credit agreement with a financial institution which provided for borrowing up to \$7,000,000 with a maturity date of December 31, 1997, at which time the balance of the loan was \$4,650,000. On December 31, 1997, the credit agreement was amended to reduce the amount available to borrow to \$5,200,000 and extend the maturity date to December 31, 1998. The Partnership also had subordinated term notes with two investors totalling \$6,000,000 at December 31, 1997. Total outstanding loans at December 31, 1997 were \$10,650,000. On August 31, 1998, the revolving credit loan and subordinated term notes had a balance of \$3,450,000 and \$6,000,000, respectively; at that date, the total balance of \$10,650,000 and accrued interest were paid in full. On that same date, the Partnership obtained a new credit agreement with a financial institution. The new credit agreement provided for a senior term note payable in the amount of \$7,500,000 and a revolving credit loan which provided for borrowing up to \$7,500,000. At December 30, 1998, the term note and revolving credit had a balance of \$7,500,000 and \$1,950,000, respectively; at that date, the total balance of \$9,450,000 and accrued interest were paid in full. The Partnership also incurred a LIBOR break fee of \$2,170 in conjunction with the retirement of debt which was recorded as an extraordinary item.

Also on December 30, 1998, the Partnership obtained a new interpartnership loan agreement with ICP (Note 1). Borrowing under the interpartnership loan, as well as interest and principal payments are due at the discretion of the management of ICP, resulting in no minimum required annual principal payments. The balance of the interpartnership loan at December 31, 1998 was \$9,606,630. The effective interest rate at December 31, 1998 was 8.5%.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. MANAGEMENT AGREEMENT

The Partnership has entered into a management agreement with Rifkin and Associates, Inc., (Rifkin) whose sole stockholder is affiliated with a general partner of the Partnership. The agreement provides that Rifkin shall manage the Partnership and shall receive annual compensation equal to 2 1/2% of gross revenues and an additional 2 1/2% if a defined cash flow level is met. Effective September 1, 1998, Rifkin conveyed its CATV management business to R & A Management, LLC (RML). The result of this transaction was the conveyance of the Rifkin management agreement (Rifkin Agreement) to RML (RML Agreement). Expenses incurred pursuant to the Rifkin Agreement and the RML Agreement are disclosed on the Statement of Operations.

6. LEASE COMMITMENTS

At December 31, 1998, the Partnership had lease commitments under long-term operating leases as follows:

1999.....	\$27,408
2000.....	6,300
2001.....	2,700
2002.....	1,500
2003.....	1,500
Thereafter.....	10,500
	-----
Total.....	\$49,908
	=====

Rent expense, including pole rent, was as follows for the periods indicated:

TOTAL RENTAL PERIOD EXPENSE - -----
- ----- Year Ended December 31,
1996.....
\$105,590 Year Ended December 31,
1997.....
98,693 Year Ended December 31,
1998.....
104,155

7. RETIREMENT BENEFITS

The Partnership has a 401(k) plan for its employees that have been employed by the Partnership for at least one year. Employees of the Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1998 contribution of \$10,000 (as set by the Internal Revenue Service). The Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Partnership contributions and earnings vest 20% per year of employment with the Partnership, becoming fully vested after five years. The Partnership's matching contributions for the years ended December 31, 1996, 1997 and 1998 were \$4,723, \$8,769 and \$8,639, respectively.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of  
R/N South Florida Cable Management Limited Partnership

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of equity and of cash flows present fairly, in all material respects, the financial position of R/N South Florida Cable Management Limited Partnership and its subsidiaries (the "Partnership") at September 13, 1999, and the results of their operations and their cash flows for the period January 1, 1999 to September 13, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

On September 13, 1999, all of the Partnership's interest were sold to Charter Communications, LLC. These financial statements represent the Partnership just prior to that transaction and do not reflect any adjustments related thereto.

/s/ PRICEWATERHOUSECOOPERS LLP

Denver, Colorado  
February 15, 2000

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 13, 1999 - ----- ASSETS

Cash.....		.....
\$ 453,963 Customer accounts receivable, less allowance for doubtful accounts of		
\$27,131.....	933,646	
Accounts receivable, related party.....	394,142	Accounts receivable, interpartnership.....
30,273,104		Other receivables.....
780,723		Prepaid expenses and deposits.....
195,198		Property, plant and equipment, at cost: Transmission and distribution systems and related equipment.....
24,629,591		Vehicles, office furniture and equipment.....
1,131,040		Leasehold improvements.....
6,759		Construction in process and spare parts inventory.....
1,519,099	27,286,489	Less accumulated depreciation.....
(1,935,932)		Property, plant and equipment, net.....
25,350,557		Franchise costs, less accumulated amortization of
\$17,527,564.....		65,160,673
		Total
assets.....		\$123,542,006
=====		LIABILITIES AND EQUITY
Liabilities: Accounts payable and accrued liabilities.....		\$
2,074,095		Customer deposits and prepayments.....
1,209,481		Interpartnership debt.....
60,960,000		Total
64,243,576		liabilities.....
59,298,430		Commitments and contingencies (Notes 4 and 7) Divisional equity.....
59,298,430		Total
59,298,430		equity.....
\$123,542,006		Total liabilities and equity.....
		\$123,542,006
		=====

The accompanying notes are an integral part of these consolidated financial statements.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999 - -

----- REVENUE

Service.....		
	\$ 14,790,346	Installation and
other.....	2,725,293	-----
		----- Total
revenue.....	17,515,639	
		COSTS AND EXPENSES Operating
expense.....		
	2,958,925	Programming
expense.....	3,957,126	
		Selling, general and administrative
	4,532,320	expense.....
Depreciation.....		
	1,997,656	
Amortization.....		
	17,527,564	Management
fees.....	700,626	
		Loss on disposal of
assets.....	685,800	-----
-- Total costs and expenses.....		
	32,360,017	----- Operating
loss.....		
	(14,844,378)	Interest
expense.....	760,517	
		----- Net
loss.....		
	\$(15,604,895)	=====

The accompanying notes are an integral part of these consolidated financial statements.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
 CONSOLIDATED STATEMENT OF EQUITY

FOR THE PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999

-----	DIVISIONAL EQUITY
TOTAL -----	-----
	Equity
contribution.....	.....
\$ 74,903,325	\$ 74,903,325 Net
loss.....	.....
(15,604,895)	(15,604,895) -----
	Divisional equity, September 13,
1999.....	\$ 59,298,430 \$ 59,298,430
	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-270

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY 1, 1999 TO SEPTEMBER 13, 1999

----- CASH FLOWS FROM OPERATING	
ACTIVITIES Net	
loss.....	
\$ (15,604,895)	Adjustments to reconcile net loss to
	net cash provided by operating activities:
	Depreciation and
	amortization.....
	19,525,221
	Loss on disposal of
	assets.....
	685,800 Increase
	in customer accounts receivable.....
	(478,307) Increase in accounts receivable, related
	party.....
	(394,142) Increase in accounts
	receivable, intercompany.....
	(30,273,104)
	Decrease in other
	receivables.....
	910,870
	Decrease in prepaid expenses and
	deposits.....
	197,824 Decrease in accounts
	payable and accrued liabilities... (282,445) Increase
	in customer prepayments and deposits.....
	519,116 ----- Net cash used in operating
	activities.....
	(25,194,062) -----
----- CASH FLOWS FROM INVESTING ACTIVITIES Initial cash	
acquisition cost, net of cash acquired.....	
	(74,224,586) Purchases of property, plant and
	equipment.....
	(4,487,237) Additions to
	franchise costs.....
	(383,932) Proceeds from the sale of
	assets.....
	102,891 -----
	Net cash used in investing activities.....
	(78,992,864) -----
----- CASH FLOWS FROM FINANCING	
ACTIVITIES Capital	
contributions.....	
	74,903,325 Proceeds from interpartnership
	debt.....
	30,587,226 Payments on
	interpartnership debt.....
	(849,662) ----- Net cash provided by financing
	activities.....
	104,640,889 -----
	Increase in
	cash.....
	453,963 Cash, beginning of
	period.....
	-- Cash,
	end of
	period.....
	\$
	453,963 ===== SUPPLEMENTAL CASH FLOW
INFORMATION Interest	
paid.....	
	\$
	760,517 =====

The accompanying notes are an integral part of these consolidated financial statements.



R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

PRINCIPLES OF CONSOLIDATION AND ORGANIZATION

The accompanying consolidated financial statements include the accounts of R/N South Florida Cable Management Limited Partnership (the "Partnership") and its substantially wholly owned subsidiary, Rifkin/ Narragansett South Florida CATV Limited Partnership (the "Operating Partnership"). Each partnership is a Florida Limited Partnership. The Partnership was originally organized in 1988 for the purpose of being the general partner to the Operating Partnership which is engaged in the installation, ownership, operation and management of cable television systems in Florida.

ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP AND BASIS OF PRESENTATION

Effective December 31, 1998, Interlink Communications Partners, LLLP ("ICP") acquired all of the Partnership's limited partner interest, and agreed to purchase all of the Partnership's interest for \$74.2 million. This transaction was accounted for as a purchase; as such, assets and liabilities were written up to their fair value, resulting in an increase to property, plant and equipment and franchise costs of \$5.0 million \$77.1 million, respectively.

Effective July 1, 1999, ICP completed the purchase of the remaining general partner interest in the Partnership and the Partnership was merged into ICP and ceased to exist as a separate legal entity. The Partnership's financial statements subsequent to that date represent a divisional carve-out from ICP. These financial statements include all the direct costs of operating its business; however, certain assets, liabilities and costs not specifically related to the Partnership's activities were allocated and reflected in the financial position as of September 13, 1999, and the results of its operations and its cash flows for the period January 1, 1999 to September 13, 1999. Allocations from ICP include amounts for debt, interest expense and management expense. Both debt and interest expense were allocated pro rata based on the Partnership's percentage of subscribers to total ICP subscribers. Management expense was allocated in accordance with the management agreement (Note 2). In addition, receivables and payables to ICP are presented in the accompanying financial statements net as amounts due to/from interpartnership. Management believes these allocations were made on a reasonable basis. Nonetheless, the financial information included herein may not necessarily reflect what the financial position and results of operations of the Partnership would have been as a stand-alone entity.

ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interest to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sales Agreement with Charter for the sale of the individual partner's interest. The sales transaction closed on September 13, 1999. These financial statements represent the Partnership just prior to the transaction and do not reflect any related adjustments.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost, which in the case of assets constructed, include amounts for material, labor, overhead and capitalized interest, if applicable. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation expense is calculated using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Transmission and distribution systems and related equipment.....	1-15 years
Vehicles, office furniture and equipment.....	2-5 years
Leasehold improvements.....	5 years

#### FRANCHISE COSTS

Franchise costs are amortized using the straight-line method over the remaining lives of the franchises as of the date they were acquired, ranging from 2 to 10 years. The carrying value is assessed for recoverability by management based on an analysis of undiscounted expected future cash flows. The Partnership's management believes that there has been no impairment thereof as of September 13, 1999.

#### INCOME TAXES

No provision for federal or state income taxes is necessary in the financial statements of the Partnership, because as a partnership, it is not subject to federal or state income tax as the tax effect of its activities accrues to the partners.

#### REVENUE RECOGNITION

Customer fees are recorded as revenue in the period the service is provided. The cost to acquire the rights to the programming generally is recorded when the product is initially available to be viewed by the customer.

#### ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to income during the year in which they are incurred and were not significant for the period shown.

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 2. MANAGEMENT AGREEMENT

The Partnership has a management agreement with R & A Management, LLC ("RML"). The management agreement provides that RML shall manage the Operating Partnership and shall be entitled to annual compensation of 4% of gross revenues. The result of this transaction included the conveyance of the Rifkin management agreement (the "Rifkin Agreement") to RML (the "RML Agreement"). Expenses incurred pursuant to this agreement are disclosed in the Consolidated Statement of Operations.

#### 3. DEBT

The Partnership has an interpartnership debt with ICP. Borrowings, including both principal and interest, at September 13, 1999 were \$60,960,000 and had an effective interest rate of 8.68%.

ICP has a term loan and revolving loan agreement with a bank. The amount of the term loan is \$150,000,000, and requires varying quarterly payments plus interest commencing September 30, 2001 and continuing through March 31, 2007. On February 1, 1999, the term loan agreement was amended to increase

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the loan amount to \$250,000,000. On July 16, 1999, the term loan agreement was amended again to increase the loan amount to \$290,000,000. The interest rate on the term loan is generally the bank's prime rate plus 0% to 1.50%. The weighted average effective rate at September 13, 1999 was 8.74%.

The revolving loan agreement provided for borrowing up to \$100,000,000 at the Company's discretion. At September 13, 1999, \$91,000,000 had been drawn against the \$100,000,000 commitment. The revolving credit agreement expires on March 31, 2007. The revolver bears an interest rate at the bank's prime rate plus 0% to 1.50% or LIBOR plus 1.25% to 2.75%. The specific rate is dependent upon the leverage ratio of ICP, which is recalculated quarterly. The weighted average effective interest rate at September 13, 1999 was 8.5%.

The term loan and revolving loan agreement are collateralized by substantially all assets of ICP and its consolidated entities, including the Partnership.

#### 4. LEASE COMMITMENTS

The Partnership leases certain real and personal property under noncancelable operating leases. Future minimum lease payments under these arrangements at September 13, 1999, were as follows:

1999.....	\$203,667
2000.....	178,432
2001.....	148,399
	-----
	\$530,498
	=====

Total rent expense for the period January 1, 1999 to September 13, 1999 was \$187,831, including \$68,806 relating to cancelable pole rental agreements.

#### 5. RETIREMENT BENEFITS

The Operating Partnership has a 401(k) plan for its employees that have been employed by the Operating Partnership for at least one year. Employees of the Operating Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1999 contribution of \$10,000 (as set by the Internal Revenue Service). The Operating Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Operating Partnership contributions and earnings vest 20% per year of employment with the Operating Partnership, becoming fully vested after five years. The Operating Partnership's matching contributions for the period January 1, 1999 to September 13, 1999 were \$19,721.

#### 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership has a number of financial instruments, none of which are held for trading purposes. The following method and assumptions were used by the Partnership to estimate the fair values of financial instruments as disclosed herein:

Cash, customer accounts receivable, other receivables, accounts payable and accrued liabilities and customer deposits and prepayments: The carrying value amount approximates fair value because of the short period to maturity.

The interest rate on debt is adjusted at least quarterly; therefore, the carrying value of debt approximates its fair value.

## 7. LITIGATION

The Partnership could possibly be named as defendant in various actions and proceedings arising from the normal course of business. In all such cases, the Partnership will vigorously defend itself against the litigation and, where appropriate, will file counterclaims. Although the eventual outcome of potential lawsuits cannot be predicted, it is management's opinion that any such lawsuit will not result in liabilities that would have a material affect on the Partnership's financial position or results of operations.

## REPORT OF INDEPENDENT AUDITORS

The Partners  
R/N South Florida Cable Management  
Limited Partnership

We have audited the accompanying consolidated balance sheet of R/N South Florida Cable Management Limited Partnership as of December 31, 1997 and 1998, and the related consolidated statements of operations, partners' equity (deficit) and cash flows for the years ended December 31, 1996, 1997 and 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of R/N South Florida Cable Management Limited Partnership at December 31, 1997 and 1998, and the consolidated results of its operations and its cash flows for the years ended December 31, 1996, 1997 and 1998 in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
February 19, 1999

## R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 1997 AND 1998

1997	1998	ASSETS (PLEGDED)	-----	-	-----	Cash	
		and cash equivalents.....				\$	
	362,619	\$ 678,739	Customer accounts receivable, less				
			allowance for doubtful accounts of \$85,867 in 1997 and				
	\$84,474	in 1998.....	569,296	455,339	Other		
		receivables.....					
	1,180,507	1,691,593	Prepaid expenses and				
		deposits.....	416,455	393,022			
		Property, plant and equipment, at cost: Transmission and					
		distribution system and related					
		equipment.....					
	22,836,588	27,981,959	Office furniture and				
		equipment.....	704,135	755,398			
		Leasehold					
		improvements.....					
	546,909	549,969	Construction in process and spare parts				
		inventory.....	718,165	744,806	-----		
	-----	24,805,797	30,032,132	Less accumulated			
		depreciation.....		9,530,513			
	11,368,764	-----	-----	Net property, plant			
		and equipment.....	15,275,284	18,663,368			
		Other assets, at cost less accumulated amortization (Note					
	2).....						
	6,806,578	5,181,012	-----	-----	Total		
		assets.....		\$24,610,739			
		\$27,063,073	=====	=====	LIABILITIES AND		
		PARTNERS' EQUITY (DEFICIT) Liabilities: Accounts payable					
		and accrued liabilities.....	\$ 2,994,797	\$			
		payable.....	2,356,540	Interest			
		prepayments.....		287,343	--	Customer	
		3).....					
		699,332	690,365	Long-term debt (Note			
		3).....		29,437,500	--		
		Interpartnership debt (Note					
		3).....	--	31,222,436	-----		
		-----					
		-----			Total		
		liabilities.....		33,418,972			
		34,269,341	Commitments (Notes 4 and 5) Partners' equity				
		(deficit): General					
		partner.....					
		(96,602)	(81,688)	Limited			
		partner.....					
		(9,582,050)	(8,104,718)	Special limited			
		partner.....		870,419			
		980,138	-----	-----	Total partners' equity		
		(deficit).....		(8,808,233)			
		(7,206,268)	-----	-----	Total liabilities		
		and partners' deficit.....	\$24,610,739	\$27,063,073			
		=====	=====				

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED -	-----	-----	-----	-----
---	12/31/96	12/31/97	12/31/98	-----
	----- REVENUES:			
Service.....	\$16,615,767	\$17,520,883	\$18,890,202	Installation and other..... 1,732,681
	2,425,742	3,158,742		-----
	18,348,448	19,946,625	22,048,944	COSTS AND EXPENSES: Operating
expense.....	2,758,704	3,489,285	3,707,802	Programming expense..... 4,075,555
	4,014,850	4,573,296		Selling, general and administrative expense..... 3,979,002 4,087,845
		4,537,535		
Depreciation.....	1,787,003	1,912,905	2,256,765	
Amortization.....	1,350,195	1,287,588	1,293,674	Management fees..... 733,938
	797,863	881,958		Loss on disposal of assets..... 373,860 513,177
	178,142			-----
	Total costs and expenses.....			
	15,058,257	16,103,513	17,429,172	-----
	----- Operating			
income.....	3,290,191	3,843,112	4,619,772	Interest expense.....
	2,528,617	2,571,976	2,583,338	-----
	Net income before extraordinary item..... 761,574 1,271,136 2,036,434			
	Extraordinary item -- loss on early retirement of debt (Note 2).....			
	434,469			-----
	- Net			
income.....	761,574	\$ 1,271,136	\$ 1,601,965	=====
				=====

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY (DEFICIT)

SPECIAL GENERAL LIMITED LIMITED PARTNERS			
PARTNERS	PARTNERS	TOTAL	-----
----- Partners'			
equity (deficit) at December 31,			
1995.....			.....
	\$(115,526)	\$(11,456,616)	\$731,199
	\$(10,840,943) Net income for the year		
	ended December 31,		
1996.....		7,090	
702,324	52,160	761,574	-----
----- Partners'			
equity (deficit) at December 31,			
1996.....			.....
	(108,436)	(10,754,292)	783,359
	(10,079,369) Net income for the year		
	ended December 31,		
1997.....			.....
11,834	1,172,242	87,060	1,271,136 -----
-----			
Partners' equity (deficit) at December			
31,			
1997.....			.....
	(96,602)	(9,582,050)	870,419 (8,808,233)
	Net income for the year ended December		
	31, 1998.....		
14,914	1,477,332	109,719	1,601,965 -----
-----			
Partners' equity (deficit) at December			
31,			
1998.....			.....
	\$ (81,688)	\$ (8,104,718)	\$980,138 \$
	(7,206,268)	=====	=====
		=====	=====

The partners' capital accounts for financial reporting purposes vary from the tax capital accounts.

See accompanying notes.



## R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED -	-----	-----	-----	-----
	12/31/96	12/31/97	12/31/98	--
	----- CASH			
FLOWS FROM OPERATING ACTIVITIES: Net				
income.....	\$			
761,574	\$ 1,271,136	\$ 1,601,965		
Adjustments				
to reconcile net income to net cash				
provided by operating activities:				
Depreciation and amortization.....				
3,137,198	3,200,493	3,550,439		
Amortization				
of deferred loan cost.....	68,898	79,108		
89,788	Loss on early retirement of			
debt.....	--	--	434,469	
Loss on				
disposal of assets.....	373,860			
513,177	178,142	Decrease (increase) in		
customer accounts				
receivable.....				
1,420	(152,229)	113,957	Increase in other	
receivables.....	(377,553)	(506,325)		
(511,086)	Decrease (increase) in prepaid			
expenses and				
deposits.....				
(114,720)	115,734	23,433	Increase	
(decrease) in accounts payable and accrued				
liabilities.....	122,512	513,839		
(638,257)	Increase (decrease) in customer			
prepayments.....	362			
208,021	(8,967)	Increase (decrease) in		
interest				
payable.....	180			
16,207	(287,343)			
-----	Net cash provided by operating			
activities.....	3,973,731			
5,259,161	4,546,540	CASH FLOWS FROM		
INVESTING ACTIVITIES: Purchases of				
property, plant and				
equipment.....				
(4,000,631)	(4,288,776)	(5,915,434)		
Additions to other assets, net of				
refranchises.....				
(10,600)	(164,560)	(186,790)	Proceeds from	
the sale of assets.....	16,674			
70,865	92,443			
-----	Net cash used in investing			
activities.....				
(3,994,557)	(4,382,471)	(6,009,781)	CASH	
FLOWS FROM FINANCING ACTIVITIES: Proceeds				
from long-term debt.....				
2,750,000	3,850,000	5,550,000	Proceeds from	
interpartnership debt.....	--	--		
31,222,436	Payments of long-term			
debt.....	(2,604,913)			
(4,562,500)	(34,987,500)	Deferred loan		
costs.....	--	(132,727)		
(5,575)				
---	Net cash provided by (used in)			
financing activities.....	145,087			
(845,227)	1,779,361			
-----	Net increase in cash and			
cash equivalents.....	124,261	31,463		
316,120	Cash and cash equivalents at			
beginning of the				
year.....				
206,895	331,156	362,619		
-----	Cash and cash			
equivalents at end of year.....	\$ 331,156			
\$ 362,619	\$ 678,739	=====	=====	
=====	SUPPLEMENTAL CASH FLOW			
INFORMATION: Interest				
paid.....	\$			
2,412,038	\$ 2,441,662	\$ 2,780,893		
=====	=====	=====		

See accompanying notes

F-280

## R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## PRINCIPLES OF CONSOLIDATION AND ORGANIZATION:

The accompanying consolidated financial statements include the accounts of R/N South Florida Cable Management Limited Partnership (the "Partnership") and its substantially wholly-owned subsidiary Rifkin/ Narragansett South Florida CATV Limited Partnership (the "Operating Partnership"). Each partnership is a Florida Limited Partnership. The Partnership was organized in 1988 for the purpose of being the general partner to the Operating Partnership which is engaged in the installation, ownership, operation and management of cable television systems in Florida.

In 1992, the Partnership adopted an amendment to the Partnership agreement (the "Amendment") and entered into a Partnership Interest Purchase Agreement whereby certain Special Limited Partnership interests were issued in the aggregate amount of \$1,250,000. These new Special Limited Partners are affiliated with the current General and Limited Partners of the Partnership. The Amendment provides for the methods under which the gains, losses, adjustments and distributions are allocated to the accounts of the Special Limited Partners.

For financial reporting purposes, partnership profits or losses are allocated to the limited partners, special limited partners and general partners in the following ratios: 92.22%, 6.849% and .931%, respectively. Limited partners and special limited partners are not required to fund any losses in excess of their capital contributions.

## ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP:

InterLink Communications Partners, LLLP ("ICP") agreed to purchase all of the interests of the Partnerships. ICP acquired all of the limited partner interests of the Operating Partnership, effective December 31, 1998, and is currently in the process of obtaining the necessary consents to transfer all of the Operating Partnership's franchises to ICP. Once obtained, ICP will then purchase the general partner interest, and the Partnership, by operation of law, will consolidate into ICP.

## PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment additions are recorded at cost, which in the case of assets constructed includes amounts for material, labor, overhead and capitalized interest, if applicable.

For financial reporting purposes, the Operating Partnership uses the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Transmission and distribution systems and related equipment.....	15 years
Office furniture and equipment.....	3-15 years
Leasehold improvements.....	5-8 years

## OTHER ASSETS:

Other assets are carried at cost and are amortized on a straight-line basis over the following lives:

Franchises.....	-- the terms of the franchises (3-13 years)
Goodwill.....	-- 40 years
Organization costs.....	-- 5 years
Deferred loan costs.....	-- the term of the debt (8 years)

## INCOME TAXES:

No provision for the payment or refund of income taxes has been provided since the partners are responsible for reporting their distributive share of partnerships net income or loss in their personal capacities.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## CASH AND CASH EQUIVALENTS:

The Partnerships consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## REVENUE RECOGNITION:

Customer fees are recorded as revenue in the period the service is provided.

## FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying values of cash and cash equivalents, customer accounts receivable, accounts payable and interpartnership debt approximate fair value.

## USE OF ESTIMATES:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## IMPACT OF YEAR 2000 (UNAUDITED):

The Partnerships recognize that certain of its time-sensitive computer programs and product distribution equipment may be affected by conversion to the year 2000. During 1998, management began their evaluation of the information systems, product distribution facilities, and vendor and supplier readiness. To date, considerable progress has been made to complete the evaluation process, to integrate and test compliance installations, and to prepare contingency plans. In addition, third party suppliers are either fully compliant or are expected to be compliant by December 31, 1999. Management expects to have all systems compliant, or have a contingency plan in effect that will result in minimal impact on the operations.

## NEW ACCOUNTING PRONOUNCEMENT:

In April 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5 "Reporting on the costs of Start-Up Activities," which requires the Partnerships to expense all start-up costs related to organizing a new business. This new standard also includes one-time activities related to opening a new facility, introduction of a new product or service, or conducting business with a new class of customer or in a new territory. This standard is effective for the Partnerships' 1999 fiscal year. The organization costs are fully amortized, resulting in SOP 98-5 having no material effect on its financial position or the results of operations.

## RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION:

Certain reclassifications have been made to the 1996 and 1997 financial statements to conform with the 1998 financial statement presentation. Such reclassifications had no effect on the net income as previously stated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 2. OTHER ASSETS

At December 31, 1997 and 1998, other assets consisted of the following:

1997	1998	-----	-----	Franchises
				and other.....
		\$14,348,984	\$14,535,774	
Goodwill.....				
		3,429,845	3,429,845	Deferred loan
costs.....				694,819 --
				Organization
				costs..... 23,218
23,218		-----	-----	18,496,866
				17,988,837 Less accumulated
				amortization..... 11,690,288
		12,807,825	-----	\$
		6,806,578	\$ 5,181,012	=====
				=====

On December 30, 1998, the Partnerships' loan with a financial institution was paid in full (Note 3). The related deferred loan costs and associated accumulated amortization were written off and an extraordinary loss of \$434,469 was recorded.

## 3. DEBT

The Partnerships had senior term note payable and a revolving credit loan agreement with a financial institution. The senior term note payable was a \$29,500,000 loan which required varying quarterly payments which commenced on September 30, 1996. On June 30, 1997, the loan agreement was amended to defer the June 30, 1997 and September 30, 1997 principal payments and restructured the required principal payment amounts due through December 31, 2003. The revolving credit loan provided for borrowing up to \$3,000,000 at the discretion of the Partnerships. On June 30, 1997, the loan agreement was amended to increase the amount provided for borrowing under the revolving credit loan to \$3,750,000. At December 31, 1997, the term notes and the revolving credit loan had a balance of \$28,387,500 and \$1,050,000, respectively, with a total balance of \$29,437,500. At December 30, 1998, the term notes and the revolving credit loan had a balance of \$27,637,500 and \$3,300,000, respectively; at that date, the total balance of \$30,937,500 and accrued interest were paid in full.

Also on December 30, 1998, the Partnerships obtained a new interpartnership loan agreement with ICP (Note 1). Borrowing under the interpartnership loan, as well as interest and principal payments are due at the discretion of the management of ICP, resulting in no minimum required annual principal payments. The balance of the interpartnership loan at December 31, 1998 was \$31,222,436. The effective interest rate at December 31, 1998 was 8.5%.

## 4. MANAGEMENT AGREEMENT

The Partnerships have entered into a management agreement with Rifkin & Associates, Inc. (Rifkin). The management agreement provides that Rifkin shall manage the Operating Partnership and shall be entitled to annual compensation of 4% of gross revenues. Effective September 1, 1998, Rifkin conveyed its CATV management business to R & A Management, LLC (RML). The result of this transaction was the conveyance of the Rifkin management agreement (Rifkin Agreement) to RML (RML Agreement). Expenses incurred pursuant to the Rifkin Agreement and the RML Agreement are disclosed on the Consolidated Statement of Operations.

## R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 5. LEASE COMMITMENTS

At December 31, 1998, the Operating Partnership had lease commitments under long-term operating leases as follows:

1999.....	\$195,437
2000.....	189,643
2001.....	116,837
	-----
Total.....	\$501,917
	=====

Rent expense, including pole rent, was as follows for the periods indicated:

TOTAL RENTAL PERIOD EXPENSE - -----
- ----- Year Ended December 31,
1996.....
\$262,231 Year Ended December 31,
1997.....
279,655 Year Ended December 31,
1998.....
295,107

## 6. RETIREMENT BENEFITS

The Operating Partnership has a 401(k) plan for its employees that have been employed by the Operating Partnership for at least one year. Employees of the Operating Partnership can contribute up to 15% of their salary, on a before-tax basis, with a maximum 1998 contribution of \$10,000 (as set by the Internal Revenue Service). The Operating Partnership matches participant contributions up to a maximum of 50% of the first 3% of a participant's salary contributed. All participant contributions and earnings are fully vested upon contribution and Operating Partnership contributions and earnings vest 20% per year of employment with the Operating Partnership, becoming fully vested after five years. The Operating Partnership's matching contributions for the years ended December 31, 1996, 1997 and 1998 were \$15,549, \$23,292 and \$20,652, respectively.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of InterMedia Partners  
and InterMedia Capital Partners IV, L.P.

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, of changes in equity and of cash flows present fairly, in all material respects, the financial position of InterMedia Cable Systems (comprised of components of InterMedia Partners and InterMedia Capital Partners IV, L.P.) at September 30, 1999 and December 31, 1998, and the results of their operations and their cash flows for the nine-months ended September 30, 1999 and for the years ended December 31, 1998 and 1997 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the management of InterMedia Partners and InterMedia Capital Partners IV, L.P.; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

San Francisco, California  
January 6, 2000

F-285



INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

COMBINED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

SEPTEMBER 30, 1999	1999	DECEMBER 31, 1998	1998
----- ASSETS Accounts receivable, net of allowance for			
doubtful accounts of \$903 and \$899,			
respectively.....	\$ 14,971	\$ 14,425	
Receivables from			
affiliates.....	7,966	5,623	
Prepaid			
expenses.....		1,100	
423 Other current			
assets.....	186	350	----
----- Total current			
assets.....	24,223	20,821	
Intangible assets,			
net.....	214,182	255,356	
Property and equipment,			
net.....	228,676	218,465	
Deferred income			
taxes.....	15,279	12,598	
Investments and other non-current			
assets.....	544	2,804	-----
Total assets.....	\$482,904	\$510,044	-----
----- LIABILITIES AND EQUITY			
Accounts payable and accrued			
liabilities.....	\$ 15,504	\$ 19,230	Deferred
revenue.....		11,151	
11,104 Payables to			
affiliates.....		2,265	
3,158 ----- Total current			
liabilities.....	28,920	33,492	
Note payable to InterMedia Partners IV,			
L.P.....	406,975	396,579	Deferred channel
launch revenue.....	3,583	4,045	---
----- Total			
liabilities.....			
439,478 434,116 ----- Commitments and			
contingencies Mandatorily redeemable preferred			
shares.....	14,934	14,184	
Equity.....			
28,492 61,744 ----- Total liabilities and			
equity.....	\$482,904	\$510,044	
=====			

See accompanying notes to combined financial statements.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

NINE MONTHS YEAR ENDED ENDED DECEMBER 31,				
SEPTEMBER 30, - - - - -	1999	1998		
1997 - - - - -	REVENUES			
Basic and cable				
services.....	\$105,275			
	\$125,920	\$112,592	Pay	
services.....				
	20,699	23,975	24,467	Other
services.....				
26,815	26,167	25,519	-----	
152,789	176,062	162,578	COSTS AND EXPENSES Program	
fees.....				
	35,579	39,386	33,936	Other direct
expenses.....			15,280	
16,580	Selling, general and administrative			
expenses.....	33,315	30,787	29,181	
	Management and consulting			
fees.....	2,356	3,147	2,870	
	Depreciation and			
amortization.....			79,325	
85,982	81,303	-----		
175,882	163,790	-----		
	Profit/(loss) from			
operations.....	(13,066)	180		
(1,212)	----- OTHER INCOME			
	(EXPENSE) Interest			
expense.....				
(17,636)	(25,449)	(28,458)	Interest and other	
income.....			187	341
	Gain on sale of			
investment.....	1,678	-- -		
	- Gain on sale/exchange of cable			
systems.....	--	26,218	10,006	Other
expense.....				
(4,397)	(3,188)	(1,431)	-----	
--	(20,168)	(2,078)	(19,454)	-----
	----- Loss before income tax benefit			
(expense).....	(33,234)	(1,898)	(20,666)	
	Income tax benefit			
(expense).....			2,681	(1,623)
	4,026	----- NET		
LOSS.....				
\$ (30,553)	\$ (3,521)	\$ (16,640)	=====	
	=====			

See accompanying notes to combined financial statements.

INTERMEDIA CABLE SYSTEMS  
 (COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
 IV, L.P.)

COMBINED STATEMENT OF CHANGES IN EQUITY

(DOLLARS IN THOUSANDS)

Balance at January 1, 1997.....	\$ 69,746
Net loss.....	(16,640)
Accretion for mandatorily redeemable preferred shares.....	(882)
Net contributions from parent.....	6,489
	-----
Balance at December 31, 1997.....	58,713
Net loss.....	(3,521)
Accretion for mandatorily redeemable preferred shares.....	(945)
Net cash contributions from parent.....	6,350
In-kind contribution from parent.....	1,147
	-----
Balance at December 31, 1998.....	61,744
Net loss.....	(30,553)
Accretion for mandatorily redeemable preferred shares.....	(750)
Net distributions to parent.....	(1,949)
	-----
Balance at September 30, 1999.....	\$ 28,492
	=====

See accompanying notes to combined financial statements.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

COMBINED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

NINE MONTHS YEAR ENDED ENDED DECEMBER 31,			
SEPTEMBER 30, - - - - -		1999	1998
1997 - - - - -		CASH FLOWS	
FROM OPERATING ACTIVITIES Net			
loss.....			
\$ (30,553)	\$ (3,521)	\$ (16,640)	Adjustments to
			reconcile net loss to cash flows from operating
			activities: Depreciation and
amortization.....		79,325	85,982
81,303	Loss on disposal of fixed		
assets.....	1,497	3,177	504
on sale of investment.....			Gain
(1,678)	-- --	Gain on sale/exchange of cable	
		systems.....	-- (26,218) (10,006)
		Changes in assets and liabilities: Accounts	
receivable.....			receivable..... (546)
(1,395)	(2,846)	Receivables from	
affiliates.....	(2,343)	(3,904)	
	(639)	Prepaid	
expenses.....		(677)	
203	(251)	Other current	
assets.....		164	(106)
(10)	Deferred income		
taxes.....	(2,681)	1,623	
(4,311)	Other non-current		
assets.....	1,088	(517)	(58)
Accounts payable and accrued liabilities.....			
134	(2,073)	4,436	Deferred
revenue.....			740
1,208	1,399	Payables to	
affiliates.....	(893)	373	
	469	Accrued	
interest.....		17,636	
25,449	28,458	Deferred channel launch	
revenue.....	(1,155)	2,895	2,817
			---
			-----
			Cash flows from
			operating activities.....
		60,058	
83,176	84,625		-----
			CASH
			FLOWS FROM INVESTING ACTIVITIES
			Purchases of
			property and equipment.....
		(52,848)	
(72,673)	(87,253)	Sale/exchange of cable	
systems.....	--	(398)	11,157
		Proceeds from sale of	
investment.....	2,850	-- --	
		Intangible	
assets.....		(871)	
(372)	(506)		-----
			Cash
			flows from investing activities.....
(50,869)	(73,443)	(76,602)	-----
			-----
			CASH FLOWS FROM FINANCING ACTIVITIES Net
			(distributions) contributions to/from parent.....
			(1,949) 6,350 6,489
			Net repayment of
			borrowings..... (7,240)
(16,083)	(14,512)		-----
			Cash flows from financing
			activities..... (9,189) (9,733)
(8,023)			-----
			Net change in
			cash..... -- -- --
			-----
			Cash at beginning of
			period..... -- -- --
			-----
			Cash at end of
			period..... \$ -- \$ --
			-----
			\$ -- =====

See accompanying notes to combined financial statements.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

THE CHARTER TRANSACTIONS

InterMedia Partners, a California limited partnership ("IP-I"), and InterMedia Capital Partners IV, L.P., a California limited partnership, ("ICP-IV", together with IP-I, "InterMedia") are affiliated through common control and management. Robin Media Group, Inc. , a Nevada corporation, ("RMG") is a majority owned subsidiary of ICP-IV. On April 20, 1999 InterMedia and certain of its affiliates entered into agreements (the "Agreements") with affiliates of Charter Communications, Inc. ("Charter") to sell and exchange certain of their cable television systems ("the Charter Transactions"). The Charter Transactions closed on October 1, 1999.

Specifically, ICP-IV and its affiliates sold certain of their cable television systems in Tennessee and Gainesville, Georgia through a combination of asset sales and the sale of their equity interests in RMG, and exchanged their systems in and around Greenville and Spartanburg, South Carolina for Charter systems located in Indiana, Kentucky, Utah and Montana. Immediately upon Charter's acquisition of RMG, IP-I exchanged its cable television systems in Athens, Georgia, Asheville and Marion, North Carolina and Cleveland, Tennessee for RMG's cable television systems located in middle Tennessee.

The cable systems retained by Charter upon consummation of the Charter Transactions, together with RMG, are referred to as the "InterMedia Cable Systems," or the "Systems."

PRESENTATION

The accompanying combined financial statements represent the financial position of the InterMedia Cable Systems as of September 30, 1999 and December 31, 1998 and 1997 and the results of their operations and their cash flows for the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997. The Systems being sold or exchanged do not individually or collectively comprise a separate legal entity. Accordingly, the combined financial statements have been carved-out from the historical accounting records of InterMedia.

CARVE-OUT METHODOLOGY

Throughout the periods covered by the combined financial statements, the individual cable systems were operated and accounted for separately. However, the Charter Transactions exclude certain systems (the "Excluded Systems") which were operated as part of the Marion, North Carolina and western Tennessee systems throughout the periods presented in the combined financial statements. For purposes of carving out and excluding the results of operations and financial position of the Excluded Systems from the combined financial statements, management has estimated the revenues, expenses, assets and liabilities associated with each Excluded System based on the ratio of each Excluded System's basic subscribers to the total basic subscribers served by the Marion, North Carolina and western Tennessee systems, respectively. Management believes the basis used for these allocations is reasonable. The Systems' results of operations are not necessarily indicative of future operating results or the results that would have occurred if the Systems were a separate legal entity.

Management and consulting fees represent an allocation of management fees charged to IP-I and ICP-IV by InterMedia Capital Management, a California limited partnership ("ICM") and InterMedia Management, Inc. ("IMI"), respectively. ICM is a limited partner of IP-I. IMI is the managing member of each of the general partners of IP-I and ICP-IV. These fees are charged at a fixed amount per annum and have been allocated to the Systems based upon the allocated contributed capital of the individual systems as compared to the total contributed capital of InterMedia's subsidiaries.

INTERMEDIA CABLE SYSTEMS

(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

As more fully described in Note 9 -- "Related Party Transactions," certain administrative services are also provided by IMI and are charged to all affiliates based on relative basic subscriber percentages.

CASH AND INTERCOMPANY ACCOUNTS

Under InterMedia's centralized cash management system, cash requirements of its individual operating units were generally provided directly by InterMedia and the cash generated or used by the Systems was transferred to/from InterMedia, as appropriate, through intercompany accounts. The intercompany account balances between InterMedia and the individual operating units, except RMG's intercompany note payable to InterMedia Partners IV, L.P. ("IP-IV"), as described in Note 7 -- "Note Payable to InterMedia Partners IV, L.P.," are not intended to be settled. Accordingly, the balances, other than RMG's note payable to IP-IV, are included in equity and all net cash flows from operations, investing activities and financing activities have been included in the Systems' net (distributions) contributions to/from parent in the combined statements of cash flows.

IP-I and ICP-IV or its subsidiaries maintain all external debt to fund and manage InterMedia's operations on a centralized basis. The combined financial statements present only the debt and related interest expense of RMG, which was assumed and repaid by Charter pursuant to the Charter Transactions. See Note 7 -- "Note Payable to InterMedia Partners IV, L.P." Debt, unamortized debt issue costs and interest expense related to the financing of the cable systems not owned by RMG have not been allocated to the InterMedia Cable Systems. As such, the level of debt, unamortized debt issue costs and related interest expense presented in the combined financial statements are not representative of the debt that would be required or interest expense incurred if InterMedia Cable Systems were a separate legal entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Cable television service revenue is recognized in the period in which services are provided to customers. Deferred revenue generally represents revenue billed in advance and deferred until cable service is provided. Installation fees are recognized immediately into revenue to the extent of direct selling costs incurred. Any fees in excess of such costs are deferred and amortized into income over the period that customers are expected to remain connected to the cable television system.

PROPERTY AND EQUIPMENT

Additions to property and equipment, including new customer installations, are recorded at cost. Self-constructed fixed assets include materials, labor and overhead. Costs of disconnecting and reconnecting cable service are expensed. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and improvements are capitalized. Capitalized fixed assets are written down to recoverable values whenever recoverability through operations or sale of the systems becomes doubtful. Gains and losses on disposal of property and equipment are included in the Systems' statements of operations when the assets are sold or retired from service.

Depreciation is computed using the double-declining balance method over the following estimated useful lives:

YEARS -----	Cable television	
plant.....		5
	-- 10 Buildings and	
improvements.....		
	10 Furniture and	
fixtures.....		
	3 -- 7 Equipment and	
other.....		
	3 -- 10	

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

#### INTANGIBLE ASSETS

The Systems have franchise rights to operate cable television systems in various towns and political subdivisions. Franchise rights are being amortized over the lesser of the remaining franchise lives or the base ten and twelve-year terms of IP-I and ICP-IV, respectively. The remaining lives of the franchises range from one to seventeen years.

Goodwill represents the excess of acquisition costs over the fair value of net tangible and franchise assets acquired and liabilities assumed and is being amortized on a straight-line basis over the base ten or twelve-year term of IP-I and ICP-IV, respectively.

Capitalized intangibles are written down to recoverable values whenever recoverability through operations or sale of the systems becomes doubtful. Each year, the Systems evaluate the recoverability of the carrying value of their intangible assets by assessing whether the projected cash flows, including projected cash flows from sale of the systems, is sufficient to recover the unamortized costs of these assets.

#### INCOME TAXES

Income taxes reported in InterMedia Cable Systems' combined financial statements represent the tax effects of RMG's results of operations. RMG as a corporation is the only entity within InterMedia Cable Systems which reports a provision/benefit for income taxes. No provision or benefit for income taxes is reported by any of the other cable systems within the InterMedia Cable Systems structure because these systems are currently owned by various partnerships, and, as such, the tax effects of these cable systems' results of operations accrue to the partners.

RMG accounts for income taxes using the asset and liability approach which requires the recognition of deferred tax assets and liabilities for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

#### USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of receivables, payables, deferred revenue and accrued liabilities approximates fair value due to their short maturity.

### 3. SALE AND EXCHANGE OF CABLE PROPERTIES

#### SALE

On December 5, 1997, RMG sold its cable television assets serving approximately 7,400 (unaudited) basic subscribers in and around Royston and Toccoa, Georgia. The sale resulted in a gain, calculated as follows:

Proceeds from sale.....	\$ 11,212
Net book value of assets sold.....	(1,206)
	-----
Gain on sale.....	\$ 10,006
	=====

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

## EXCHANGE

On December 31, 1998, certain of the Systems' cable television assets located in and around western and eastern Tennessee ("Exchanged Assets"), serving approximately 10,600 (unaudited) basic subscribers, plus cash of \$398 were exchanged for other cable television assets located in and around western and eastern Tennessee, serving approximately 10,000 (unaudited) basic subscribers.

The cable television assets received have been recorded at fair market value, allocated as follows:

Property and equipment.....	\$ 5,141
Franchise rights.....	24,004
	-----
Total.....	\$ 29,145
	=====

The exchange resulted in a gain of \$26,218 calculated as the difference between the fair value of the assets received and the net book value of the Exchanged Assets less cash paid of \$398.

## 4. INTANGIBLE ASSETS

Intangible assets consist of the following:

SEPTEMBER 30, DECEMBER 31, 1999 1998	-----	-----
	-----	-----
rights.....	\$	
	332,800	\$ 332,157
Goodwill.....		
	58,505	58,505
Other.....		
	573 345	----- 391,878 391,007
	Accumulated	
amortization.....	(177,696)	
(135,651) -----		\$ 214,182 \$ 255,356
	=====	=====

## 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

SEPTEMBER 30, DECEMBER 31, 1999 1998	-----	-----
	-----	-----
Land.....	\$ 1,080	\$ 1,068
plant.....	266,848	231,937
improvements.....	5,546	5,063
fixtures.....	3,509	3,170
other.....	29,953	
	25,396	Construction-in-
progress.....	22,999	18,065
	-----	-----
depreciation.....	(101,259)	
(66,234) -----		\$ 228,676 \$ 218,465
	=====	=====



INTERMEDIA CABLE SYSTEMS

(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

SEPTEMBER 30, 1999	DECEMBER 31, 1998	1999	1998
-----			
----- Accounts			
payable.....	\$ 4,793	\$ 1,780	Accrued program
costs.....	1,897		Accrued franchise
fees.....	4,676		Accrued copyright
fees.....		145	406
Accrued capital			
expenditures.....		1,355	
5,215 Accrued payroll			
costs.....	1,784		Accrued property and other
taxes.....	1,524	862	Other
accrued			
liabilities.....		778	
2,610	-----	\$ 15,504	\$ 19,230
=====			

7. NOTE PAYABLE TO INTERMEDIA PARTNERS IV, L.P.

RMG's note payable to IP-IV consists of the following:

SEPTEMBER 30, 1999	DECEMBER 31, 1998	1999	1998
-----			
----- Intercompany revolving credit facility,			
\$1,200,000 commitment as of September 30, 1999,			
interest currently at 6.60% payable on maturity,			
matures December 31,			
2006.....			
	\$406,975	\$396,579	=====

RMG's debt is outstanding under an intercompany revolving credit facility executed with IP-IV. The revolving credit facility currently provides for \$1,200,000 of available credit.

RMG's intercompany revolving credit facility requires repayment of the outstanding principal and accrued interest on the earlier of (i) December 31, 2006, or (ii) acceleration of any of IP-IV's obligations to repay under its bank debt outstanding under its revolving credit facility ("IP-IV Revolving Credit Facility") and term loan agreement ("IP-IV Term Loan", together with the IP-IV Revolving Credit Facility, the "IP-IV Bank Facility") dated July 30, 1996.

On October 1, 1999, Charter assumed and repaid RMG's intercompany revolving credit facility pursuant to the Charter Transactions.

Interest rates under RMG's intercompany revolving credit facility are calculated monthly and are referenced to those made available under the IP-IV Bank Facility. Interest rates ranged from 6.21% to 6.96% during the nine months ended September 30, 1999.

Advances under the IP-IV Bank Facility are available under interest rate options related to the base rate of the administrative agent for the IP-IV Bank Facility ("ABR") or LIBOR. Interest rates on borrowings under the IP-IV Term Loan vary from LIBOR plus 1.75% to LIBOR plus 2.00% or ABR plus 0.50% to ABR plus 0.75% based on IP-IV's ratio of debt outstanding to annualized quarterly operating cash flow ("Senior Debt Ratio"). Interest rates on borrowings under the IP-IV Revolving Credit Facility also vary from LIBOR plus 0.625% to LIBOR plus 1.50% or ABR to ABR plus 0.25% based on IP-IV's Senior Debt Ratio. The IP-IV Bank Facility requires quarterly payment of fees on the unused portion of the IP-IV Revolving Credit Facility of 0.375% per annum when the Senior Debt Ratio is greater than 4.0:1.0 and at 0.25% when the Senior Debt Ratio is less than or equal to 4.0:1.0.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

The terms and conditions of RMG's intercompany debt agreement are not necessarily indicative of the terms and conditions which would be available if the Systems were a separate legal entity.

#### 8. MANDATORILY REDEEMABLE PREFERRED SHARES

RMG has Redeemable Preferred Stock outstanding at September 30, 1999 and December 31, 1998, which has an annual dividend of 10.0% and participates in any dividends paid on the common stock at 10.0% of the dividend per share paid on the common stock. The Redeemable Preferred Stock bears a liquidation preference of \$12,000 plus any accrued but unpaid dividends at the time of liquidation and is mandatorily redeemable on September 30, 2006 at the liquidation preference amount. Pursuant to the terms of the Agreements, upon consummation of the Charter Transactions, Charter redeemed RMG's Redeemable Preferred Stock at the liquidation preference amount.

#### 9. RELATED PARTY TRANSACTIONS

ICM and IMI provide certain management services to IP-I and ICP-IV, respectively, for per annum fixed fees, of which 20% per annum is deferred and payable in each following year in order to support InterMedia's debt. Management fees charged to InterMedia for the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997 amounted to \$4,059, \$5,410 and \$6,395, respectively, of which \$2,356, \$3,147 and \$2,870, respectively, has been charged to the Systems.

IMI has entered into agreements with both IP-I and ICP-IV to provide accounting and administrative services at cost. Under the terms of the agreements, the expenses associated with rendering these services are charged to the Systems and other affiliates based upon relative basic subscriber percentages. Management believes this method to be reflective of the actual cost. IMI also pays on behalf of the Systems and other affiliates "pass through costs" that are specifically identifiable to the Systems and other affiliates. These include, but are not limited to programming fees and copyright fees. During the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997, IMI administrative fees charged to the Systems totaled \$3,093, \$3,657 and \$4,153, respectively. Receivables from affiliates at September 30, 1999 and December 31, 1998 include \$5,873 and \$52, respectively, of advances to IMI, net of administrative fees charged by IMI and operating expenses paid by IMI on behalf of the Systems.

IP-I is majority-owned, and ICP-IV is owned in part, by AT&T Broadband & Internet Services ("AT&TBIS"), formerly Tele-Communications, Inc. As affiliates of AT&TBIS, IP-I and ICP-IV are able to purchase programming services from a subsidiary of AT&TBIS. Management believes that the overall programming rates made available through this relationship are lower than the Systems could obtain separately. Such volume rates may not continue to be available in the future should AT&TBIS's ownership interest in InterMedia significantly decrease. Program fees charged by the AT&TBIS subsidiary to the Systems for the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997 amounted to \$26,352, \$30,884 and \$26,815, respectively. Payables to affiliates include programming fees payable to the AT&TBIS subsidiary of \$2,918 at December 31, 1998. There were no programming fees payable to the AT&TBIS subsidiary at September 30, 1999.

On January 1, 1998 an affiliate of AT&TBIS entered into agreements with InterMedia to manage the Systems' advertising business and related services for an annual fixed fees per advertising sales subscriber as defined by the agreements. In addition to the annual fixed fee, AT&TBIS is entitled to varying percentage shares of the incremental growth in annual cash flows from advertising sales above specified targets. Management fees charged by the AT&TBIS subsidiary for the nine months ended September 30, 1999 and the year ended December 31, 1998 amounted to \$227 and \$292, respectively. Receivables from affiliates at

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

September 30, 1999 and December 31, 1998 include \$2,034 and \$3,437, respectively, of receivable from AT&TBIS for advertising sales.

As part of its normal course of business the Systems are involved in transactions with affiliates of InterMedia which own and operate cable television systems. Such transactions include purchases and sales, at cost, of inventories used in construction of cable plant. Receivables from affiliates at September 30, 1999 and December 31, 1998 include \$59 and \$2,134, respectively, of receivables from affiliated systems. Payables to affiliates at September 30, 1999 and December 31, 1998 include \$2,265 and \$208, respectively, of payables to affiliated systems.

#### 10. CABLE TELEVISION REGULATION

Cable television legislation and regulatory proposals under consideration from time to time by Congress and various federal agencies have in the past, and may in the future, materially affect the Systems and the cable television industry.

The cable industry is currently regulated at the federal and local levels under the Cable Act of 1984, the Cable Act of 1992 ("the 1992 Act"), the Telecommunications Act of 1996 (the "1996 Act") and regulations issued by the Federal Communications Commission ("FCC") in response to the 1992 Act. FCC regulations govern the determination of rates charged for basic, expanded basic and certain ancillary services, and cover a number of other areas including customer services and technical performance standards, the required transmission of certain local broadcast stations and the requirement to negotiate retransmission consent from major network and certain local television stations. Among other provisions, the 1996 Act eliminated rate regulation on the expanded basic tier effective March 31, 1999.

Current regulations issued in conjunction with the 1992 Act empower the FCC and/or local franchise authorities to order reductions of existing rates which exceed the maximum permitted levels and to require refunds measured from the date a complaint is filed in some circumstances or retroactively for up to one year in other circumstances. Management believes it has made a fair interpretation of the 1992 Act and related FCC regulations in determining regulated cable television rates and other fees based on the information currently available. However, complaints have been filed with the FCC on rates for certain franchises and certain local franchise authorities have challenged existing and prior rates. Further complaints and challenges could be forthcoming, some of which could apply to revenue recorded in 1999 and prior years. Management believes that the effect, if any, of these complaints and challenges will not be material to the Systems' financial position or results of operations.

Many aspects of regulation at the federal and local levels are currently the subject of judicial review and administrative proceedings. In addition, the FCC is required to conduct rulemaking proceedings to implement various provisions of the 1996 Act. It is not possible at this time to predict the ultimate outcome of these reviews or proceedings or their effect on the Systems.

#### 11. COMMITMENTS AND CONTINGENCIES

The Systems are committed to provide cable television services under franchise agreements with remaining terms of up to seventeen years. Franchise fees of up to 5% of gross revenues are payable under these agreements.

Current FCC regulations require that cable television operators obtain permission to retransmit major network and certain local television station signals. The Systems have entered into long-term retransmission agreements with all applicable stations in exchange for in-kind and/or other consideration.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

InterMedia has been named in purported and certified class actions in various jurisdictions concerning late fee charges and practices. Certain cable systems owned by InterMedia charge late fees to customers who do not pay their cable bills on time. These late fee cases challenge the amount of the late fees and the practices under which they are imposed. The plaintiffs raise claims under state consumer protection statutes, other state statutes and common law. The plaintiffs generally allege that the late fees charged by InterMedia's cable systems, including the Systems in the States of Tennessee, South Carolina and Georgia are not reasonably related to the costs incurred by the cable systems as a result of the late payment. The plaintiffs seek to require cable systems to reduce their late fees on a prospective basis and to provide compensation for alleged excessive late fee charges for past periods. These cases are either at the early stages of the litigation process or are subject to a case management order that sets forth a process leading to mediation. Based upon the facts available management believes that, although no assurances can be given as to the outcome of these actions, the ultimate disposition of these matters should not have a material adverse effect upon the financial condition of the Systems.

In the Spring of 1999 the Tennessee Department of Revenue ("TDOR") proposed legislation that was passed by the Tennessee State Legislature which replaced the former Amusement Tax with a new sales tax on all cable service revenues in excess of fifteen dollars per month effective September 1, 1999. The new tax is computed at a rate approximately equal to the former effective tax rate.

Prior to the passage of this legislation, the TDOR suggested that under its interpretation of the former legislation it could assess, for prior periods up to three years, additional taxes on expanded basic service revenue. Management believes that based on subsequent correspondence with the TDOR that the TDOR will not pursue additional taxes under the former amusement tax legislation.

The Systems are subject to other claims and litigation in the ordinary course of business. In the opinion of management, the ultimate outcome of any existing litigation or other claims will not have a material effect on the Systems' financial position or results of operations.

The Systems have entered into pole rental agreements and lease certain of its facilities and equipment under non-cancelable operating leases. Minimum rental commitments at September 30, 1999 for the next five years and thereafter under non-cancelable operating leases related to the Systems are as follows:

1999.....	\$ 169
2000.....	623
2001.....	580
2002.....	366
2003.....	252
2004 and thereafter.....	1,080
	-----
	\$3,070
	=====

Rent expense, including pole rental agreements, for the nine months ended September 30, 1999 and for the years ended December 31, 1998 and 1997 was \$2,243, \$2,817 and \$2,828, respectively.

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

## 12. INCOME TAXES

Income tax benefit (expense) consists of the following:

NINE MONTHS YEAR ENDED	ENDED DECEMBER 31,	1999
SEPTEMBER 30,	-----	-----
1998	1997	-----
	Current	
federal.....		
\$ --	\$ --	\$ (285) Deferred
federal.....		
2,415	(1,454)	3,813 Deferred
state.....		
266	(169)	498 ----- \$
2,681	\$(1,623)	\$ 4,026 =====
		=====

Deferred income taxes relate to temporary differences as follows:

SEPTEMBER 30,	DECEMBER 31,	1999	1998	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
	Property and				
equipment.....				\$ (7,425)	\$
	(7,258) Intangible				
assets.....				(10,514)	
(12,930)	-----	-----	(17,939)	(20,188)	Loss
carryforward -- federal.....					
31,924	31,547	Loss carryforward --			
state.....				341	297
Other.....					
953	942	-----	-----	\$ 15,279	\$ 12,598
				=====	=====

At December 31, 1998, RMG had net operating loss carryforwards for federal income tax purposes aggregating \$92,785, which expire through 2018. RMG is a loss corporation as defined in Section 382 of the Internal Revenue Code. Therefore, if certain substantial changes in RMG's ownership should occur, there could be a significant annual limitation on the amount of loss carryforwards which can be utilized.

InterMedia's management has not established a valuation allowance to reduce the deferred tax assets related to RMG's unexpired net operating loss carryforwards. Due to an excess of appreciated asset value over the tax basis of RMG's net assets, management believes it is more likely than not that the deferred tax assets related to unexpired net operating losses will be realized.

A reconciliation of the tax benefit (expense) computed at the statutory federal rate and the benefit (expense) reported in the accompanying combined statements of operations is as follows:

NINE MONTHS YEAR ENDED	ENDED DECEMBER 31,	1999
SEPTEMBER 30,	-----	-----
1998	1997	-----
	Tax benefit at federal statutory	
rate.....	\$ 4,476	\$ 626
State taxes, net of federal benefit.....	522	4,454
	73	498 Goodwill
amortization.....		
(2,309)	(2,056)	Realization of acquired tax
benefit.....	--	-- 346
Other.....		
(642)	(13)	784 -----
-	\$ 2,681	\$ (1,623)
	\$ 4,026 =====	=====
		=====

INTERMEDIA CABLE SYSTEMS  
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS  
IV, L.P.)

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

13. CHANNEL LAUNCH REVENUE

During 1997 and 1998, the Systems were credited with amounts representing their share of payments received or to be received by InterMedia from certain programmers to launch and promote their new channels. Of the total amount credited, the Systems recognized advertising revenue of \$434, \$586 and \$1,182 during the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997, respectively, for advertisements provided by the Systems to promote the new channels. The remaining amounts credited to the Systems are being amortized over the respective terms of the program agreements which range between five to ten years. For the nine months ended September 30, 1999 and the years ended December 31, 1998 and 1997, the Systems amortized and recorded as other service revenues \$721, \$956 and \$894, respectively. Also, during 1998 the Systems recorded a receivable from a programmer, of which \$853 and \$1,791 remained outstanding at September 30, 1999 and December 31, 1998, respectively, for the launch and promotion of its new channel.

14. SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

In connection with RMG's sale of its cable television assets located in Royston and Toccoa, Georgia in December 1997, as described in Note 3 -- "Sale and Exchange of Cable Properties," net cash proceeds received were as follows:

Proceeds from sale.....	\$ 11,212
Receivable from buyer.....	(55)
	-----
Net proceeds received from buyer.....	\$ 11,157
	=====

In connection with the exchange of certain cable assets in and around western and eastern Tennessee on December 31, 1998, as described in Note 3, the Systems paid cash of \$398.

In December 1998, IP-IV contributed its 4.99% partner interest in a limited partnership to RMG. The book value of the investment at the time of the contribution was \$1,147.

Total accretion on RMG's Redeemable Preferred Stock for the nine months ended September 30, 1999 and for the years ended December 31, 1998 and 1997 amounted to \$750, \$945 and \$882, respectively.

15. EMPLOYEE BENEFIT PLANS

The Systems participate in the InterMedia Partners Tax Deferred Savings Plan which covers all full-time employees who have completed at least six months of employment. The plan provides for a base employee contribution of 1% and a maximum of 15% of compensation. The Systems' matching contributions under the plan are at the rate of 50% of the employee's contribution, up to a maximum of 5% of compensation.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications Holdings, LLC:

We have audited the accompanying statements of operations and changes in net assets and cash flows of Sonic Communications Cable Television Systems for the period from April 1, 1998, through May 20, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Sonic Communications Cable Television Systems for the period from April 1, 1998, through May 20, 1998, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 5, 1999

F-300

## SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

PERIOD FROM APRIL 1, 1998, THROUGH MAY 20, 1998 -----

REVENUES.....			
\$ 6,343,226 -----	OPERATING EXPENSES: Operating		
costs.....	1,768,393		
General and administrative.....			
1,731,471 Depreciation and			
amortization.....	1,112,057 -----		
---- 4,611,921 -----	Income from		
operations.....	1,731,305		
	INTEREST		
EXPENSE.....	289,687		
-----	Income before provision for income		
taxes.....	1,441,618	PROVISION IN LIEU OF INCOME	
TAXES.....	602,090	-----	Net
income.....	839,528		
	NET ASSETS, April 1,		
1998.....	55,089,511 -----		
	--- NET ASSETS, May 20,		
1998.....	\$55,929,039		
	=====		

The accompanying notes are an integral part of this statement.



## SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

## STATEMENT OF CASH FLOWS

PERIOD FROM APRIL 1, 1998, THROUGH MAY 20, 1998 -----  
 ----- CASH FLOWS FROM OPERATING ACTIVITIES: Net  
 income.....  
 \$ 839,528 Adjustments to reconcile net loss to net  
 cash provided by operating activities -- Depreciation  
 and amortization..... 1,112,057  
 Changes in assets and liabilities -- Accounts  
 receivable, net..... 49,980  
 Prepaid expenses and other.....  
 171,474 Accounts payable and accrued  
 expenses..... (1,479,682) ----- Net  
 cash provided by operating activities.....  
 693,357 ----- CASH FLOWS FROM INVESTING  
 ACTIVITIES: Purchases of property, plant and  
 equipment..... (470,530) Payments of  
 franchise costs.....  
 (166,183) ----- Net cash used in investing  
 activities..... (636,713) ----- CASH  
 FLOWS FROM FINANCING ACTIVITIES: Payments on long-  
 term debt..... (41,144) --  
 ----- Net cash used in financing  
 activities..... (41,144) NET INCREASE IN CASH  
 AND CASH EQUIVALENTS..... 15,500 -----  
 ----- CASH AND CASH EQUIVALENTS, beginning of  
 period..... 532,238 ----- CASH AND  
 CASH EQUIVALENTS, end of period..... \$  
 547,738 =====

The accompanying notes are an integral part of this statement.

## SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## ORGANIZATION AND BASIS OF PRESENTATION

Sonic Communications Cable Television Systems (the Company) operates cable television systems in California and Utah.

Effective May 21, 1998, the Company's net assets were acquired by Charter Communications Holdings, LLC.

## CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

## PROPERTY, PLANT AND EQUIPMENT

The Company depreciates its cable distribution systems using the straight-line method over estimated useful lives of 5 to 15 years for systems acquired on or after April 1, 1981. Systems acquired before April 1, 1981, are depreciated using the declining balance method over estimated useful lives of 8 to 20 years.

Vehicles, machinery, office, and data processing equipment and buildings are depreciated using the straight-line or declining balance method over estimated useful lives of 3 to 25 years. Capital leases and leasehold improvements are amortized using the straight-line or declining balance method over the shorter of the lease term or the estimated useful life of the asset.

## INTANGIBLES

The excess of amounts paid over the fair values of tangible and identifiable intangible assets acquired in business combinations are amortized using the straight-line method over the life of the franchise. Identifiable intangible assets such as franchise rights, noncompete agreements and subscriber lists are amortized using the straight-line method over their useful lives, generally 3 to 15 years.

## REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable television system. As of May 20, 1998, no installation revenue has been deferred, as direct selling costs exceeded installation revenue.

## INTEREST EXPENSE

Interest expense relates to a note payable to a stockholder of the Company, which accrues interest at 7.8% per annum.

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

## SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. COMMITMENTS AND CONTINGENCIES:

### FRANCHISES

The Company has committed to provide cable television services under franchise agreements with various governmental bodies for remaining terms up to 13 years. Franchise fees of up to 5% of gross revenues are payable under these agreements.

### LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Leases and rental costs charged to expense for the period from April 1, 1998, through May 20, 1998, were \$59,199.

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the period from April 1, 1998, through May 20, 1998, was \$64,159.

## 3. INCOME TAXES:

The results of the Company are included in the consolidated federal income tax return of its parent, Sonic Enterprises, Inc., which is responsible for tax payments applicable to the Company. The financial statements reflect a provision in lieu of income taxes as if the Company was filing on a separate company basis. Accordingly, the Company has included the provision in lieu of income taxes in the accompanying statement of operations.

The provision in lieu of income taxes approximates the amount of tax computed using U.S. statutory rates, after reflecting state income tax expense of \$132,510 for the period from April 1, 1998, through May 20, 1998.

## 4. REGULATION IN THE CABLE TELEVISION INDUSTRY:

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject to judicial proceeding and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. For the period from April 1, 1998, through May 20, 1998, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

## SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company believes that it has complied in all material respects with the ownership of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company are unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Systems.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Long Beach Acquisition Corp.:

We have audited the accompanying statements of operations, stockholder's equity and cash flows of Long Beach Acquisition Corp. (a Delaware corporation) for the period from April 1, 1997, through May 23, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Long Beach Acquisition Corp. for the period from April 1, 1997, through May 23, 1997, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
July 31, 1998

F-306

## LONG BEACH ACQUISITION CORP.

STATEMENT OF OPERATIONS  
FOR THE PERIOD FROM APRIL 1, 1997, THROUGH MAY 23, 1997

SERVICE REVENUES.....	\$ 5,313,282
	-----
EXPENSES:	
Operating costs.....	1,743,493
General and administrative.....	1,064,841
Depreciation and amortization.....	3,576,166
Management fees -- related parties.....	230,271
	-----
	6,614,771
	-----
Loss from operations.....	(1,301,489)
INTEREST EXPENSE.....	753,491
	-----
Net loss.....	<u><u>\$(2,054,980)</u></u>

The accompanying notes are an integral part of this statement.

## LONG BEACH ACQUISITION CORP.

STATEMENT OF STOCKHOLDER'S EQUITY  
FOR THE PERIOD FROM APRIL 1, 1997, THROUGH MAY 23, 1997

CLASS A, SENIOR VOTING			
REDEEMABLE ADDITIONAL			
TOTAL COMMON PREFERRED			
PAID-IN ACCUMULATED			
STOCKHOLDER'S STOCK			
STOCK CAPITAL DEFICIT			
EQUITY -----			
-----			
BALANCE, April 1,			
1997.....			
\$100 \$11,000,000			
\$33,258,723			
\$(51,789,655)			
\$(7,530,832) Net			
loss.....			
-- -- -- (2,054,980)			
(2,054,980) -----			
-----			
BALANCE, May 23,			
1997.....			
\$100 \$11,000,000			
\$33,258,723			
\$(53,844,635)			
\$(9,585,812) ====			
=====			
=====			

The accompanying notes are an integral part of this statement.

## LONG BEACH ACQUISITION CORP.

STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM APRIL 1, 1997, THROUGH MAY 23, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss.....	\$(2,054,980)
Adjustments to reconcile net loss to net cash provided by operating activities-	
Depreciation and amortization.....	3,576,166
Changes in assets and liabilities, net of effects from acquisition-	
Accounts receivable, net.....	(830,725)
Prepaid expenses and other.....	(19,583)
Accounts payable and accrued expenses.....	(528,534)
Other current liabilities.....	203,282
	-----
Net cash provided by operating activities.....	345,626
	-----
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant and equipment.....	(596,603)
	-----
Net cash used in investing activities.....	(596,603)
	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(250,977)
CASH AND CASH EQUIVALENTS, beginning of period.....	3,544,462
	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 3,293,485
	=====
CASH PAID FOR INTEREST.....	\$ 1,316,462
	=====

The accompanying notes are an integral part of this statement.



## LONG BEACH ACQUISITION CORP.

NOTES TO FINANCIAL STATEMENTS  
MAY 23, 1997

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## ORGANIZATION AND BASIS OF PRESENTATION

Long Beach Acquisition Corp. (LBAC or the "Company") was a wholly owned corporation of KC Cable Associates, L.P., a partnership formed through a joint venture agreement between Kohlberg, Kravis, Roberts & Co. (KKR) and Cablevision Industries Corporation (CVI). The Company was formed to acquire cable television systems serving Long Beach, California, and surrounding areas.

On May 23, 1997, the Company executed a stock purchase agreement with Charter Communications Long Beach, Inc. (CC-LB) whereby CC-LB purchased all of the outstanding stock of the Company for an aggregate purchase price, net of cash acquired, of \$150.9 million. Concurrent with this stock purchase, CC-LB was acquired by Charter Communications, Inc. (Charter) and Kelso Investment Associates V, L.P., an investment fund (Kelso).

As of May 23, 1997, LBAC provided cable television service to subscribers in southern California.

## CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable transmission and distribution facilities, and the cost of new customer installation. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, and equipment replacement costs and betterments are capitalized.

Depreciation is provided on a straight-line basis over the estimated useful life of the related asset as follows:

Leasehold improvements.....	Life of respective lease
Cable systems and equipment.....	5-10 years
Subscriber devices.....	5 years
Vehicles.....	5 years
Furniture, fixtures and office equipment.....	5-10 years

## FRANCHISES

Franchises include the assigned fair value of the franchise from purchased cable television systems. These franchises are amortized on a straight-line basis over six years, the remaining life of the franchise at acquisition.

## INTANGIBLE ASSETS

Intangible assets include goodwill, which is amortized over fifteen years; subscriber lists, which are amortized over seven years; a covenant not to compete which is amortized over five years; organization costs which are amortized over five years and debt issuance costs which are amortized over ten years, the life of the loan.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## IMPAIRMENT OF ASSETS

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## REVENUES

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the average estimated period that customers are expected to remain connected to the cable television system. As of May 23, 1997, no installation revenue has been deferred, as direct selling costs have exceeded installation service revenues.

## INCOME TAXES

LBAC's income taxes are recorded in accordance with SFAS No. 109, "Accounting for Income Taxes."

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. STOCKHOLDER'S EQUITY:

For the period from April 1, 1997, through May 23, 1997, stockholder's equity consisted of the following:

## Stockholder's (deficit) equity:

Common stock -- Class A, voting \$1 par value, 100 shares authorized, issued and outstanding.....	\$	100
Common stock -- Class B, nonvoting, \$1 par value, 1,000 shares authorized, no shares issued.....		--
Senior redeemable preferred stock, no par value, 110,000 shares authorized, issued and outstanding, stated at redemption value.....		11,000,000
Additional paid-in capital.....		33,258,723
Accumulated deficit.....		(53,844,635)
		-----
Total stockholder's (deficit) equity.....	\$	(9,585,812)
		=====

## 3. INTEREST EXPENSE:

The Company has the option of paying interest at either the Base Rate of the Eurodollar rate, as defined, plus a margin which is based on the attainment of certain financial ratios. The weighted average interest rate for the period from April 1, 1997, through May 23, 1997, was 7.3%.

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## 4. REGULATION IN THE CABLE TELEVISION INDUSTRY:

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject to judicial proceeding and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of May 23, 1997, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the ownership of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company are unable to justify its basic rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulates rates on the cable programming service tier (CPST). The FCC is currently developing permanent regulations to implement the rate deregulation provisions of the 1996 Telecom Act. The Company cannot predict the ultimate effect of the 1996 Telecom Act on the Company's financial position or results of operations.

The FCC may further restrict the ability of cable television operators to implement rate increases or the United States Congress may enact legislation that could delay or suspend the scheduled March 1999 termination of CPST rate regulation. This continued rate regulation, if adopted, could limit the rates charged by the Company.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

## 5. RELATED-PARTY TRANSACTIONS:

The Company has entered into a management agreement (the "Management Agreement") with CVI under which CVI manages the operations of the Company for an annual management fee equal to 4% of gross operating revenues, as defined. Management fees under this agreement amounted to \$210,100 for the period

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

from April 1, 1997, through May 23, 1997. In addition, the Company has agreed to pay a monitoring fee of two dollars per basic subscriber, as defined, per year for services provided by KKR. Monitoring fees amounted to \$20,171 for the period from April 1, 1997, through May 23, 1997.

## 6. COMMITMENTS AND CONTINGENCIES:

## LEASES

The Company leases certain facilities and equipment under noncancelable operating leases. Rent expense incurred under these leases for the period from April 1, 1997, through May 23, 1997, was \$67,600.

The Company rents utility poles in its operations. Generally, pole rental agreements are short term, but LBAC anticipates that such rentals will recur. Rent expense for pole attachments for the period from April 1, 1997, through May 23, 1997, was \$12,700.

## LITIGATION

The Company is a party to lawsuits which are generally incidental to its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits will not have a material adverse effect on the Company's financial position or results of operations.

## 7. INCOME TAXES:

The Company has not recognized the tax benefit associated with its taxable loss for the period from April 1, 1997, through May 23, 1997, as the Company believes the benefit will likely not be realized.

## 8. EMPLOYEE BENEFIT PLANS:

Substantially all employees of the Company are eligible to participate in a defined contribution plan containing a qualified cash or deferred arrangement pursuant to IRC Section 401(k). The plan provides that eligible employees may contribute up to 10% of their compensation to the plan. The Company made no contributions to the plan for the period from April 1, 1997, through May 23, 1997.

## REPORT OF INDEPENDENT AUDITORS

The Audit Committee  
CHARTER COMMUNICATIONS, INC.

We have audited the accompanying combined balance sheets of Fanch Cable Systems Sold to Charter Communications, Inc. (comprised of components of TWfanch-one Co., components of TWfanch-two Co., Mark Twain Cablevision, North Texas Cablevision LTD., Post Cablevision of Texas L.P., Spring Green Communications L.P., Fanch Narragansett CSI L.P., Cable Systems Inc., ARH, and Tioga), as of November 11, 1999 and December 31, 1998, and the related combined statements of operations, net assets and cash flows for the period from January 1, 1999 through November 11, 1999 and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of Fanch Communications, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of North Texas Cablevision, LTD., Spring Green Communications L.P., Cable Systems Inc. and Fanch Narragansett CSI Limited Partnership, which statements reflect total assets of \$18,289,788 as of December 31, 1998 and total revenues of \$14,562,704 and \$11,906,101 for the years ended December 31, 1998 and 1997. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for North Texas Cablevision LTD., Spring Green Communications L.P., Cable Systems Inc. and Fanch Narragansett CSI Limited Partnership, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the combined financial position of Fanch Cable Systems Sold to Charter Communications, Inc. at November 11, 1999 and December 31, 1998, and the combined results of its operations and its cash flows for the period from January 1, 1999 through November 11, 1999 and the years ended December 31, 1998 and 1997 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
January 28, 2000

F-314

## REPORT OF INDEPENDENT AUDITORS

The Shareholders  
CABLE SYSTEMS, INC.

The Partners  
FANCH NARRAGANSETT CSI LIMITED PARTNERSHIP

We have audited the accompanying balance sheets of Cable Systems, Inc. and Fanch Narragansett CSI Limited Partnership as of December 31, 1998 and 1997, and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying combined financial statements have been prepared pursuant to Section 5.04(a) of the Loan Agreement between Cable Systems, Inc., Fanch Narragansett CSI Limited Partnership and Fleet National Bank. Generally accepted accounting principles do not recognize consolidated financial statements when a less than 50% ownership ratio exists between two companies. As a result, our opinion is restricted to the individual company statements shown.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cable Systems, Inc. and Fanch Narragansett CSI Limited Partnership at December 31, 1998 and 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ SHIELDS & CO.

March 9, 1999  
Englewood, Colorado

## REPORT OF INDEPENDENT AUDITORS

The Partners  
NORTH TEXAS CABLEVISION, LTD.

We have audited the accompanying consolidated balance sheets of North Texas Cablevision, Ltd. as of December 31, 1998 and 1997, and the related consolidated statements of operations and partners' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Texas Cablevision, Ltd. at December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ SHIELDS & CO.

March 9, 1999  
Englewood, Colorado

F-316

## REPORT OF INDEPENDENT AUDITORS

The Partners  
SPRING GREEN COMMUNICATIONS, L.P.

We have audited the accompanying balance sheet of Spring Green Communications, L.P. as of December 31, 1998 and 1997, and the related statements of operations and partners' capital and cash flows from inception November 3, 1997, through December 31, 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spring Green Communications, L.P. at December 31, 1998 and 1997, and the results of its operations and its cash flows for the periods ended December 31, 1997, and 1998 in conformity with generally accepted accounting principles.

/s/ SHIELDS & CO.

March 10, 1999  
Englewood, Colorado

F-317



FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.  
 COMBINED BALANCE SHEETS

NOVEMBER 11,	DECEMBER 31,	1999	1998	-----	-	-----
----- ASSETS						
Current assets: Cash and cash						
equivalents.....		\$	568,583	\$	809,720	
Accounts receivable, less allowance for doubtful						
accounts of approximately \$229,000 and \$443,000 in 1999						
and 1998,						
respectively.....						
7,424,375	3,236,751	Prepaid expenses and other current				
assets.....	1,529,577	1,645,785	-----			
	----- Total current					
assets.....		9,522,535				
5,692,256	Property, plant and equipment: Transmission and					
	distribution systems and related					
equipment.....						
	325,687,737	200,526,755	Furniture and			
equipment.....		13,704,415				
8,389,207	-----	-----	339,392,152			
	208,915,962 Less accumulated					
depreciation.....		(73,807,164)				
(52,484,281)	-----	-----	Net property,			
	plant and equipment.....					
265,584,988	156,431,681	Goodwill, net of accumulated				
amortization of approximately \$85,370,000 and \$63,030,000						
in 1999 and 1998,						
respectively.....						
515,312,398	266,776,690	Subscriber lists, net of				
accumulated amortization of approximately \$28,168,000 and						
\$15,024,000 in 1999 and 1998,						
respectively.....						
67,444,869	17,615,056	Other intangible assets, net of				
accumulated amortization of approximately \$17,157,000 and						
\$14,411,000 in 1999 and 1998,						
respectively.....						
12,032,316	11,482,409	-----	-----	Total		
intangible assets.....						
	594,789,583	295,874,155	Other			
assets.....						
	1,050,815	=====	=====	Total		
assets.....						
	\$869,897,106	\$459,048,907	=====	=====		
LIABILITIES AND NET ASSETS						
Current liabilities: Accounts						
payable and other accrued liabilities.....		\$				
7,065,436	\$	13,630,205	Subscriber advances and			
deposits.....	5,492,869	2,033,992	-----			
	----- Total current					
liabilities.....		12,558,305				
	15,664,197 Net					
assets.....						
857,338,801	443,384,710	-----	-----	Total		
liabilities and net assets.....						
	\$869,897,106	\$459,048,907	=====	=====		

See accompanying notes.

FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.  
COMBINED STATEMENTS OF OPERATIONS

PERIOD FROM JANUARY 1 TO YEAR ENDED DECEMBER			
31, NOVEMBER 11, - -----			
1999 1998 1997 -----			
	-----		
	----- Revenues:		
Service.....	\$165,967,333	\$123,183,391	\$113,954,539
	Installation and		
other.....			19,948,268
17,920,743	16,587,074	-----	-----
	-----	185,915,601	141,104,134
130,541,613	Operating expenses, excluding		
	depreciation and		
amortization.....	58,504,674	42,616,007	40,346,214
	Selling,		
	general and administrative expenses.....		
27,071,932	20,361,890	21,363,377	-----
	-----	85,576,606	62,977,897
	61,709,591	Income before other	
	expenses.....	100,338,995	
	78,126,237	68,832,022	Other expenses:
	Depreciation and		
	amortization.....	62,097,138	
	45,885,038	61,502,426	Management
fees.....			6,161,558
3,998,259	3,663,561	Loss (gain) on disposal of	
	assets.....	8,135,954	6,420,250
	(1,229,272)	Other (income) expense,	
	net.....	(340,049)	313,693
232,102	-----	-----	-----
	Net income before tax		
	expense.....	24,284,394	
	21,508,997	4,663,205	Income tax
	expense.....	197,334	
286,451	2,260,369	-----	-----
	-----	Net	
income.....			
	\$ 24,087,060	\$ 21,222,546	\$ 2,402,836
	=====	=====	=====

See accompanying notes.

## FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.

## COMBINED STATEMENTS OF NET ASSETS

PERIOD FROM JANUARY 1 TO YEAR ENDED DECEMBER			
31, NOVEMBER 11, -	-----		
- 1999	1998	1997	-----
			----- Net assets at beginning of
			period..... \$443,384,710
	\$455,085,231	\$481,540,621	Net
income.....			-----
24,087,060	21,222,546	2,402,836	Contributions
			from (payments to) owners.....
389,867,031	(32,923,067)	(28,858,226)	-----
			----- Net assets at
			end of period.....
	\$857,338,801	\$443,384,710	\$455,085,231
	=====	=====	=====

See accompanying notes.

## FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.

## COMBINED STATEMENTS OF CASH FLOWS

PERIOD FROM JANUARY 1 TO YEAR ENDED DECEMBER			
	1999	1998	1997
31, NOVEMBER 11, - - - - -			
1999 1998 1997 - - - - -			
----- OPERATING ACTIVITIES Net			
income.....	\$ 24,087,060	\$ 21,222,546	\$ 2,402,836
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	62,097,138	45,885,038	61,502,426
Loss (gain) on disposal of assets.....	8,135,954		
6,420,250 (1,229,272) (Increase) decrease in accounts receivable, prepaid expenses and other current assets.....			
(3,020,601) (2,053,483) 2,067,370 (Decrease) increase in accounts payable and other accrued liabilities and subscriber advances and deposits.....			
1,434,091 (4,676,441) - - - - -			
-- Net cash provided by operating activities.....	88,193,659	72,908,442	
60,066,919 INVESTING ACTIVITIES Acquisition of systems.....			
(413,345,351) -- (18,243,593) Purchases of property, plant and equipment.....			
(64,956,476) (39,343,681) (17,213,637) Additions to intangibles, net.....			
-- (909,674) (1,116,251) Proceeds from sale of equipment.....			
-- 103,028 - - - - -			
5,337,321 --- Net cash used in investing activities.....			
(478,301,827) (40,150,327) (31,236,160) FINANCING ACTIVITIES Contributions from (payments to) owners.....			
389,867,031 (32,923,067) (28,858,226) - - - - -			
----- Net cash provided by (used in) financing activities.....			
389,867,031 (32,923,067) (28,858,226) Net change in cash and cash equivalents.....			
(241,137) (164,952) (27,467) Cash and cash equivalents at beginning of year... 809,720			
974,672 1,002,139 - - - - -			
----- Cash and cash equivalents at end of year.....	\$ 568,583	\$ 809,720	\$ 974,672
=====			

See accompanying notes.

## FANCH CABLE SYSTEMS SOLD TO CHARTER COMMUNICATIONS, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

NOVEMBER 11, 1999

## 1. BASIS OF PRESENTATION

## ACQUISITION BY CHARTER COMMUNICATIONS, INC. AND BASIS OF PRESENTATION

The Fanch Cable Systems Sold to Charter Communications, Inc. are comprised of the following entities: components of TWfanch-one Co., components of TWfanch-two Co., Mark Twain Cablevision, North Texas Cablevision LTD., Post Cablevision of Texas L.P., Spring Green Communications L.P., Fanch Narragansett CSI L.P., Cable Systems Inc., ARH, and Tioga (the "Combined Systems"). The Combined Systems were managed by Fanch Communications, Inc. (the "Management Company").

Pursuant to a purchase agreement, dated May 12, 1999 between certain partners ("Partners") of the Combined Systems and Charter Communications, Inc. ("Charter"), the Partners of the Combined Systems entered into a distribution agreement whereby the Partners will distribute and/or sell certain of their cable systems to certain of their respective Partners. These Partners will then sell the Combined Systems through a combination of asset sales and the sale of equity and partnership interests to Charter.

Accordingly, these combined financial statements of the Combined Systems reflect the "carved out" financial position, results of operations, cash flows and changes in net assets of the operations of the Combined Systems as if they had been operating as a separate company. For purposes of determining the financial statement amounts of the Combined Systems, management excluded certain systems (the "Excluded Systems"). In order to exclude the results of operations and financial position of the Excluded Systems from the combined financial statements, management has estimated certain revenues, expenses, assets and liabilities that are not specifically identified to systems based on the ratio of each Excluded System's basic subscribers to the total basic subscribers served by the respective partnerships. Management believes the basis used for these allocations is reasonable. The Combined Systems' results of operations are not necessarily indicative of future operating results or the results that would have occurred if the Combined Systems were a separate legal entity.

## DESCRIPTION OF BUSINESS

The Combined Systems, operating in various states throughout the United States, are principally engaged in operating cable television systems and related activities under non-exclusive franchise agreements.

## PRINCIPLES OF COMBINATION

The accompanying combined financial statements include the accounts of the Combined Systems, as if the Combined Systems were a single company. All material intercompany balances and transactions have been eliminated.

## CASH, INTERCOMPANY ACCOUNTS AND DEBT

Under the Combined Systems' centralized cash management system, the cash requirements of its individual operating units were generally subsidized by the Management Company and the cash generated or used by the individual operating units was transferred to/from the Management Company, as appropriate, through the use of intercompany accounts. The resulting intercompany account balances are included in net assets and all the net cash generated from (used in) operations, investing activities and financing activities has been included in the Combined Systems' net contributions by (payments to) the Management Company in the combined statements of cash flows. The Management Company maintains external debt to fund and manage operations on a centralized basis. Debt, unamortized loan costs and interest expense of the Management Company have not been allocated to the Combined Systems. As such, the debt, unamortized

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. BASIS OF PRESENTATION (CONTINUED)

loan costs, and related interest are not representative of the debt that would be required or interest expense incurred if the Combined Systems were a separate legal entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## PROPERTY, PLANT AND EQUIPMENT

The Combined Systems record additions to property, plant and equipment at cost, which in the case of assets constructed includes amounts for material, labor and overhead. Maintenance and repairs are charged to expense as incurred.

For financial reporting purposes, the Combined Systems use the straight-line method of depreciation over the estimated useful lives of the assets as follows:

LIVES -----  
 Transmission  
 and  
 distribution  
 systems and  
 related  
 equipment 3  
 to 20 years  
 Furniture  
 and  
 equipment 4  
 to 8 1/2  
 years

## INCOME TAXES

The Combined Systems pay an immaterial amount of income taxes. Taxes are paid for Cable Systems, Inc., Hornell, ARH, Tioga, and systems operating in the State of Michigan. The majority of the Combined Systems are various partnerships and, as such, the tax effects of the Combined Systems' results of operations accrue to the partners.

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

## REVENUE RECOGNITION

The Combined Systems recognize revenue when services have been delivered. Revenues on long-term contracts are recognized over the term of the contract using the straight-line method.

## INTANGIBLES

Intangibles are recorded at cost and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

LIVES ----  
 - Goodwill  
 7 to 20  
 years (7  
 to 10 in  
 1997)  
 Subscriber  
 list 3 to  
 7 years  
 Other,  
 including  
 franchise  
 costs 2 to  
 13 years

Amortization expense was \$38,229,923, \$25,955,253, and \$44,595,992 for the period from January 1, 1999 to November 11, 1999 and for the years ended December 31, 1998 and 1997, respectively. Certain of the Combined Systems changed the estimated useful life of goodwill from 7 and 10 years in 1997 to 20 years

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

effective January 1, 1998 to better match the amortization period to anticipated economic lives of the franchises and to better reflect industry practice. This change in estimate resulted in an increase in net income of approximately \$20 million for the year ended December 31, 1998.

## 3. DISPOSAL OF ASSETS

During the periods presented, various upgrades were performed on certain plant locations. The cost and accumulated depreciation applicable to the plant replaced has been estimated and recorded as a loss on disposal, which is summarized as follows:

	PERIOD FROM JANUARY 1 TO YEAR ENDED DECEMBER 31		
NOVEMBER 11 -	-----	1999	1998 1997
	-----	-----	-----
Cost.....			
\$12,238,388	\$8,606,851	\$ 5,529,505	Accumulated
depreciation.....			(4,102,434)
	(2,083,573)	(2,003,191)	
Proceeds.....			
-- (103,028)	(5,337,321)	Disposal of intangible	
assets.....	-- --	2,978,143	
Accumulated amortization.....			
-- -- (2,396,408)	-----	-----	
Loss (gain) on disposal.....			
\$ 8,135,954	\$6,420,250	\$(1,229,272)	=====
	=====	=====	

## 4. PURCHASE AND SALE OF SYSTEMS

On March 30, 1997, the Combined Systems acquired cable television systems, including plant and franchise and business licenses, serving communities in the states of Pennsylvania and Virginia. The purchase price was \$1.4 million, of which \$765,000 was allocated to property, plant and equipment and \$635,000 was allocated to intangible assets.

Concurrent with the purchase of the systems in Pennsylvania on March 30, 1997, the Combined Systems sold certain of these assets, including plant and franchise and business licenses, for \$340,000. No gain or loss on this transaction was recorded.

On June 30, 1997, the Combined Systems acquired cable television systems, including plant and franchise and business licenses, serving communities in the State of Indiana. The purchase price was \$6,345,408, of which \$2,822,260 was allocated to property, plant and equipment and \$3,523,148 was allocated to intangible assets.

On November 3, 1997, the Combined Systems acquired substantially all of the assets, including franchise and business licenses, for cable systems serving various communities in Wisconsin. The purchase price was \$8.7 million, of which \$3.9 million was allocated to property, plant and equipment and \$4.8 million was allocated to intangible assets.

On June 12, 1998, the Combined Systems entered into an agreement to acquire cable television systems, including plant and franchise and business licenses, serving communities in the State of Michigan. The purchase price was \$42 million, subject to purchase price adjustments. In connection with the agreement, the Combined Systems received an additional \$8.76 million in capital contributions. The agreement was completed and the assets were transferred to the Combined Systems on February 1, 1999. The Combined Systems recorded approximately \$11.7 million in property, plant and equipment and approximately \$30.3 million in intangible assets.



## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 4. PURCHASE AND SALE OF SYSTEMS (CONTINUED)

On July 8, 1998, the Combined Systems entered into an Asset Purchase Agreement to acquire cable television systems, including plant and franchise and business licenses, serving communities in the states of Maryland, Ohio and West Virginia. The purchase price was \$248 million, subject to purchase price adjustments. The transaction was completed and the assets were transferred to the Combined Systems on February 24, 1999. The Combined Systems recorded approximately \$39 million to property, plant and equipment and approximately \$209 million to intangible assets.

On January 15, 1999, the Combined Systems entered into an agreement to acquire cable television systems, including plant and franchise and business licenses, serving communities in the State of Michigan from a related party. The purchase price was \$70 million, subject to purchase price adjustments. The agreement was completed and the assets were transferred to the Combined Systems on March 31, 1999. In connection with the agreement, the Combined Systems received an additional \$25 million in capital contributions. The Combined Systems recorded approximately \$14.4 million to property, plant and equipment and approximately \$55.6 million to intangible assets.

On May 12, 1999, the Combined Systems entered into an agreement to acquire the stock of ARH, Ltd. ARH, Ltd. is engaged in the business of owning and operating cable television systems in Texas and West Virginia. The purchase price was \$50 million subject to purchase price adjustments. The transaction was completed and the assets were transferred to the Combined Systems on June 22, 1999. The Combined Systems recorded approximately \$3.9 million to property, plant and equipment and approximately \$46.1 million to intangible assets.

Unaudited pro forma operating results as though the acquisitions discussed above had occurred at the beginning of the periods, with adjustments to give effect to amortization of franchises and certain other adjustments for the period, are as follows:

	PERIOD FROM JANUARY 1 TO YEAR ENDED NOVEMBER 11	DECEMBER 31 1999	1998
Revenues.....	\$202,259,532	\$197,803,975	
Income from operations.....	92,986,581		
Net income.....	27,704,095	32,130,293	

The unaudited pro forma information has been presented for comparative purposes and does not purport to be indicative of the results of operations had these transactions been complete as of the assumed date or which may be obtained in the future.

## 5. RELATED PARTIES

The Combined Systems have entered into management agreements with the Management Company whose sole stockholder is affiliated with several of the Combined Systems. The Combined Systems have also entered into a management agreement with an entity (the "Affiliated Company") that has ownership interest in certain of the Combined Systems. The agreements provide that the Management Company and the Affiliated Company will manage their respective systems and receive annual compensation equal to 2.5% to 5% of the gross revenues from operations from their respective systems. Management fees were \$6,161,558, \$4,072,179, and \$3,663,560 for the period from January 1, 1999 to November 11, 1999 and the years ended December 31, 1998 and 1997, respectively.

A company affiliated with the Management Company provides subscriber billing services for a portion of the Combined Systems' subscribers. The Combined Systems incurred fees for monthly billing and related

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 5. RELATED PARTIES (CONTINUED)

services in the approximate amounts of \$362,000, \$507,000, and \$535,000 for the period from January 1, 1999 to November 11, 1999 and the years ended December 31, 1998 and 1997, respectively.

The Combined Systems purchase the majority of their programming through the Affiliated Company. Fees incurred for programming were approximately \$38,356,000, \$24,600,000, and \$22,200,000 for the period from January 1, 1999 to November 11, 1999 and the years ended December 31, 1998 and 1997, respectively.

The Management Company pays amounts on behalf of and receives amounts from the Combined Systems in the ordinary course of business. Accounts receivable and payable of the Combined Systems include amounts due from and due to the Management Company.

## 6. COMMITMENTS

The Combined Systems, as an integral part of their cable operations, have entered into lease contracts for certain items including tower rental, microwave service and office space. Rent expense, including office, tower and pole rent, for the period from January 1, 1999 to November 11, 1999 and the years ended December 31, 1998 and 1997 was approximately \$3,110,000, \$2,462,866, and \$2,238,394, respectively. The majority of these agreements are on month-to-month arrangements and, accordingly, the Combined Systems have no material future minimum commitments related to these leases.

## 7. EMPLOYEE BENEFIT PLAN

The Combined Systems each have a defined contribution plan (the "Plan") which qualifies under section 401(k) of the Internal Revenue Code. Therefore, each system of the Combined Systems participates in the respective plan. Combined Systems contributions were approximately \$497,000, \$354,000, and \$297,000 for the period from January 1, 1999 to November 11, 1999 and the years ended December 31, 1998 and 1997, respectively.

## REPORT OF INDEPENDENT AUDITORS

Partners  
Falcon Communications, L.P.

We have audited the accompanying consolidated balance sheets of Falcon Communications, L.P. as of December 31, 1998 and November 12, 1999, and the related consolidated statements of operations, partners' equity (deficit) and cash flows for each of the two years in the period ended December 31, 1998 and for the period from January 1, 1999 to November 12, 1999 (date of disposition). These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Falcon Communications, L.P. at December 31, 1998 and November 12, 1999 and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 1998 and for the period from January 1, 1999 to November 12, 1999 (date of disposition), in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Los Angeles, California  
March 2, 2000

F-327

## FALCON COMMUNICATIONS, L.P.

## CONSOLIDATED BALANCE SHEETS

NOVEMBER 12, 1999		DECEMBER 31, (DATE OF 1998	
DISPOSITION) -----		----- (DOLLARS IN	
THOUSANDS) ASSETS: Cash and cash			
equivalents.....		\$ 14,284	
\$ 9,995 Receivables: Trade, less allowance of \$670,000			
and \$1,074,000 for possible			
losses.....	15,760		
	18,946		
Affiliates.....	2,322	3,511	Other
assets.....			
16,779 33,456 Property, plant and equipment, less			
accumulated depreciation and			
amortization.....	505,894	553,851	
Franchise cost, less accumulated amortization of			
\$226,526,000 and			
\$269,752,000.....	397,727	370,461	
Goodwill, less accumulated amortization of \$25,646,000			
and			
\$31,636,000.....			
135,308 130,581 Customer lists and other intangible			
costs, less accumulated amortization of \$59,422,000			
and			
\$127,314,000.....			
333,017 273,851 Deferred loan costs, less accumulated			
amortization of \$2,014,000 and			
\$3,137,000.....	24,331	22,623	
-----	\$1,445,422	\$1,417,275	
=====	=====	=====	LIABILITIES AND PARTNERS'
DEFICIT LIABILITIES: Notes			
payable.....			
\$1,611,353 \$1,711,835 Accounts			
payable.....			
10,341 16,790 Due to			
affiliate.....	15,202	Accrued	--
expenses.....			
83,077 56,160 Customer deposits and			
prepayments.....	2,257	8,070	
Deferred income			
taxes.....	8,664	8,393	
Minority			
interest.....	403		
541 -----			TOTAL
LIABILITIES.....			
1,716,095 1,816,991 -----			
COMMITMENTS AND CONTINGENCIES REDEEMABLE PARTNERS'			
EQUITY.....	133,023		
424,280 -----			PARTNERS' EQUITY
(DEFICIT): General			
partners.....			
(408,369) (826,681) Limited			
partners.....			
4,673 2,685 -----			TOTAL PARTNERS'
DEFICIT.....	(403,696)		
(823,996) -----		\$1,445,422	
\$1,417,275 =====		=====	

See accompanying notes to consolidated financial statements.

F-328

## FALCON COMMUNICATIONS, L.P.

## CONSOLIDATED STATEMENTS OF OPERATIONS

PERIOD FROM YEAR ENDED DECEMBER 31, JANUARY 1,  
1999 TO ----- NOVEMBER 12, 1999  
1997 1998 (DATE OF DISPOSITION) -----  
----- (DOLLARS IN

THOUSANDS)

REVENUES.....				
\$255,886	\$ 307,558	\$ 371,617	-----	---
	-----	EXPENSES: Service		
costs.....		75,643		
97,832	125,246	General and administrative		
expenses.....	46,437	63,401	139,462	
		Depreciation and		
amortization.....		118,856	152,585	
196,260	-----	Total		
expenses.....				
240,936	313,818	460,968	-----	-----
		-- Operating income		
(loss).....		14,950	(6,260)	
(89,351)	-----	OTHER INCOME		
		(EXPENSE): Interest expense,		
		net.....	(79,137)	
(102,591)	(114,993)	Equity in net income (loss) of		
		investee		
partnerships.....				
443	(176)	(41)	Other income (expense),	
net.....		885	(2,917)	8,062
		Income tax benefit		
(expense).....		2,021	(1,897)	
(2,509)	-----	Net loss		
		before extraordinary item.....		
(60,838)	(113,841)	(198,832)	Extraordinary item,	
retirement of debt.....	--	(30,642)	--	---
	-----	NET		
LOSS.....				
\$(60,838)	\$(144,483)	\$(198,832)	=====	=====
			=====	

See accompanying notes to consolidated financial statements.

F-329

FALCON COMMUNICATIONS, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

GENERAL LIMITED PARTNERS	PARTNERS	TOTAL	-----
----- (DOLLARS IN			
THOUSANDS) PARTNERS' DEFICIT, January 1,			
1997.....	\$		
(12,591)	\$ (443,908)	\$ (456,499)	
Reclassification from redeemable partners'			
equity.....			
--	100,529	100,529	Capital
contribution.....			
	53	53	Net loss for
year.....			
(60,229)	(60,838)		(609)
-----			
---- PARTNERS' DEFICIT, December 31,			
1997.....			
(13,200)	(403,555)	(416,755)	Reclassification
of partners' deficit.....			
408,603	--	Redemption of partners'	(408,603)
interests.....			
(155,908)	--	Net assets retained by the managing	(155,908)
general			
partner.....			
(5,392)	--	(5,392)	Reclassification from
redeemable partners'			
equity.....			
38,350	--	38,350	Acquisition of Falcon Video
and TCI net assets... 280,409 -- 280,409			
Capital			
contributions.....			
	83	--	Net loss for
year.....			
(375)	(144,483)		(144,108)
-----			
-- PARTNERS' EQUITY (DEFICIT) December 31,			
1998.....			
(408,369)	4,673	(403,696)	Reclassification to
redeemable partners'			
equity.....			
(291,257)	--	(291,257)	Capital
contributions.....			
70,723	--	70,723	Acquisition of TCI net assets
adjustment.....			
(934)	--	(934)	Net loss
for period.....			
(196,844)	(1,988)	(198,832)	-----
----- PARTNERS' EQUITY (DEFICIT)			
November 12,			
1999.....			
(826,681)	\$ 2,685	\$ (823,996)	=====
=====			

See accompanying notes to consolidated financial statements.  
F-330

## FALCON COMMUNICATIONS, L.P.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

PERIOD FROM YEAR ENDED DECEMBER 31, JANUARY 1,  
1999 TO ----- NOVEMBER 12,  
1999 1997 1998 (DATE OF DISPOSITION) -----

----- (DOLLARS

IN THOUSANDS) Cash flows from operating  
activities: Net

loss.....			
\$(60,838)	\$ (144,483)	\$ (198,832)	Adjustments
			to reconcile net loss to net cash provided by
			operating activities: Payment-in-kind interest
expense.....	20,444	-- --	Amortization
of debt discount.....	--	19,342	
	24,103	Depreciation and	
amortization.....	118,856	152,585	
	196,260	Amortization of deferred loan	
costs.....	2,192	2,526	1,782
			Compensation
			funded by Managing General
Partner.....	--	--	
	--	70,723	Write-off deferred loan
costs.....	--	10,961	(4)
			Gain on
			sale of cable system.....
			-- --
			(11,069) Casualty (gain)
loss.....	(3,476)	(314)	69
			Equity in net (income) loss of investee
			partnerships.....
	(443)	176	41
			Provision for losses on
			receivables, net of
			recoveries.....
	5,714	4,775	4,510
			Deferred income
taxes.....	(2,748)	1,111	
	(271)		
Other.....			
1,319	278	348	Increase (decrease) from changes
			in:
Receivables.....			
	(9,703)	(1,524)	(6,114)
			Other
assets.....			(4,021)
	906	(7,194)	Accounts
payable.....			(1,357)
	337	6,450	Accrued expenses and due to
			affiliate.....
	13,773	24,302	(11,634)
			Customer deposits and prepayments.....
(175)	633	5,813	-----
-			Net cash provided by operating activities....
79,537	71,611	74,981	-----
-----			Cash flows from investing activities:
			Capital
expenditures.....			
(76,323)	(96,367)	(126,548)	Increase in
intangible assets.....			(1,770)
(7,124)	(3,344)	Acquisitions of cable	
television systems.....	--	(83,391)	(27,161)
			Cash acquired in connection with the
			acquisition of TCI and Falcon Video
			Communications,
L.P.....	--	--	
	-	317	--
			Proceeds from sale of cable
			system.....
			-- --
			3,178
			Assets
			retained by the Managing General
Partner.....	--	--	
	-	(3,656)	--
Other.....			
1,806	1,893	(1,871)	-----
-----			Net cash used in investing
activities.....	(76,287)	(188,328)	(155,746)
-----			Cash flows
			from financing activities: Borrowings from
			notes payable.....
	37,500		
	2,388,607	1,153,250	Repayment of
debt.....			(40,722)
(2,244,752)	(1,076,871)	Deferred loan	
costs.....			(29)
	(25,684)	(70)	Capital
contributions.....	93	--	

	-- Redemption of partners'		
interests.....	-- (1,170)	-- Minority	
interest capital contributions.....	192	83	
167	-----	Net cash	
		provided by (used in) financing	
activities.....			
(2,966)	117,084	76,476	-----
	-----	Increase (decrease) in cash and cash	
equivalents.....			
284	367	(4,289)	Cash and cash equivalents, at
			beginning of
period.....			
13,633	13,917	14,284	-----
	-----	Cash and cash equivalents, at end of	
		period.....	\$ 13,917 \$ 14,284 \$ 9,995
	=====	=====	=====

See accompanying notes to consolidated financial statements.



## FALCON COMMUNICATIONS, L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES

## FORM OF PRESENTATION

Falcon Communications, L.P. ("FCLP"), a California limited partnership (the "Partnership") and successor to Falcon Holding Group, L.P. ("FHGLP"), owned and operated cable television systems serving small to medium-sized communities and the suburbs of certain cities in 23 states through November 12, 1999. On September 30, 1998, pursuant to a Contribution and Purchase Agreement dated as of December 30, 1997, as amended (the "Contribution Agreement"), FHGLP acquired the assets and liabilities of Falcon Video Communications, L.P. ("Falcon Video"), in exchange for ownership interests in FHGLP. Simultaneously with the closing of that transaction, in accordance with the Contribution Agreement, FHGLP contributed substantially all of the existing cable television system operations owned by FHGLP and its subsidiaries (including the Falcon Video Systems) to the Partnership and TCI Falcon Holdings, LLC ("TCI") contributed certain cable television systems owned and operated by affiliates of TCI (the "TCI Systems") to the Partnership (the "TCI Transaction"). As a result, Tele-Communications, Inc. held approximately 46% of the equity interest of the Partnership and FHGLP owned the remaining 54% and served as the managing general partner of the Partnership. The TCI Transaction has been accounted for as a recapitalization of FHGLP into the Partnership and the concurrent acquisition by the Partnership of the TCI systems. In March 1999, AT&T and Tele-Communications, Inc. completed a merger under which Tele-Communications, Inc. became a unit of AT&T called AT&T Broadband & Internet Services, which became a general partner of FCLP as a result of a merger.

On November 12, 1999, Charter Communications Holding Company, LLC ("Charter") acquired the Partnership in a cash and stock transaction valued at approximately \$3.6 billion, including assumption of liabilities. Upon closing of the transaction, the Partnership was merged with CC VII Holdings, LLC, a Delaware limited liability company and successor to FCLP.

The consolidated financial statements include the accounts of the Partnership and its subsidiary holding companies and cable television operating partnerships and corporations, which include Falcon Cable Communications LLC ("Falcon LLC"), a Delaware limited liability company that serves as the general manager of the cable television subsidiaries. Such statements reflect balances immediately prior to the acquisition transaction. The assets contributed by FHGLP in 1998 to the Partnership excluded certain immaterial investments, principally FHGLP's ownership of 100% of the outstanding stock of Enstar Communications Corporation ("ECC"), which is the general partner and manager of fifteen limited partnerships operating under the name "Enstar." ECC's ownership interest in the Enstar partnerships ranges from 0.5% to 5%. Upon the consummation of the TCI Transaction, the management of the Enstar partnerships was assigned to the Partnership by FHGLP. The consolidated statements of operations and statements of cash flows for the year ended December 31, 1998 include FHGLP's interest in ECC for the nine months ended September 30, 1998. The effects of ECC's operations on all previous periods presented are immaterial. On November 12, 1999, Charter acquired ECC.

FHGLP also controlled, held varying equity interests in and managed certain other cable television partnerships (the "Affiliated Partnerships") for a fee. FHGLP is a limited partnership, the sole general partner of which is Falcon Holding Group, Inc., a California corporation ("FHGI"). FHGI also holds a 1% interest in certain of the subsidiaries of the Partnership. At the beginning of 1998, the Affiliated Partnerships were comprised of Falcon Classic Cable Income Properties, L.P. ("Falcon Classic") whose cable television systems are referred to as the "Falcon Classic Systems," Falcon Video and the Enstar partnerships. As discussed in Note 3, the Falcon Classic Systems were acquired by FHGLP during 1998. The Falcon Video Systems were acquired on September 30, 1998 in connection with the TCI Transaction. As a result of these transactions, the Affiliated Partnerships consist solely of the Enstar partnerships from October 1, 1998 forward.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES -- (CONTINUED)

All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements do not give effect to any assets that the partners may have outside their interests in the Partnership, nor to any obligations, including income taxes, of the partners.

## CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Partnership considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 1997 and 1998 included \$4.5 million and \$345,000 of investments in commercial paper and short-term investment funds of major financial institutions. There were no such cash equivalents at November 12, 1999.

## INVESTMENTS IN AFFILIATED PARTNERSHIPS

Prior to closing the TCI Transaction, the Partnership was the general partner of certain entities, which in turn acted as general partner of the Affiliated Partnerships. The Partnership's effective ownership interests in the Affiliated Partnerships were less than one percent. The Affiliated Partnerships were accounted for using the equity method of accounting. Equity in net losses were recorded to the extent of the investments in and advances to the partnerships plus obligations for which the Partnership, as general partner, was responsible. The liabilities of the Affiliated Partnerships, other than amounts due the Partnership, principally consisted of debt for borrowed money and related accrued interest. The Partnership's ownership interests in the Affiliated Partnerships were eliminated in 1998 with the acquisition of Falcon Video and Falcon Classic and the retention by FHGLP of its interests in the Enstar partnerships.

## PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION AND AMORTIZATION

Property, plant and equipment are stated at cost. Direct costs associated with installations in homes not previously served by cable are capitalized as part of the distribution system, and reconnects are expensed as incurred. For financial reporting, depreciation and amortization is computed using the straight-line method over the following estimated useful lives.

## CABLE TELEVISION SYSTEMS:

Headend buildings and equipment.....	10-16 years
Trunk and distribution.....	5-15 years
Microwave equipment.....	10-15 years

## OTHER:

Furniture and equipment.....	3-7 years
Vehicles.....	3-10 years
Leasehold improvements.....	Life of lease

## FRANCHISE COST AND GOODWILL

The excess of cost over the fair values of tangible assets and customer lists of cable television systems acquired represents the cost of franchises and goodwill. In addition, franchise cost includes capitalized costs incurred in obtaining new franchises and in the renewal of existing franchises. These costs are amortized using the straight-line method over the lives of the franchises, ranging up to 28 years (composite 15 year average). Goodwill is amortized over 20 years. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES -- (CONTINUED)

## CUSTOMER LISTS AND OTHER INTANGIBLE COSTS

Customer lists and other intangible costs include customer lists, covenants not to compete and organization costs which are amortized using the straight-line method over two to five years.

## DEFERRED LOAN COSTS

Costs related to borrowings are capitalized and amortized to interest expense over the life of the related loan.

## RECOVERABILITY OF ASSETS

The Partnership assesses on an ongoing basis the recoverability of intangible assets (including goodwill) and capitalized plant assets based on estimates of future undiscounted cash flows compared to net book value. If the future undiscounted cash flow estimates were less than net book value, net book value would then be reduced to estimated fair value, which generally approximates discounted cash flows. The Partnership also evaluates the amortization periods of assets, including goodwill and other intangible assets, to determine whether events or circumstances warrant revised estimates of useful lives.

## REVENUE RECOGNITION

Revenues from customer fees, equipment rental and advertising are recognized in the period that services are delivered. Installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable television system. Management fees are recognized on the accrual basis based on a percentage of gross revenues of the respective cable television systems managed. Effective October 1, 1998, 20% of the management fees from the Enstar partnerships was retained by FHGLP.

## DERIVATIVE FINANCIAL INSTRUMENTS

As part of the Partnership's management of financial market risk and as required by certain covenants in its New Credit Agreement, the Partnership enters into various transactions that involve contracts and financial instruments with off-balance-sheet risk, principally interest rate swap and interest rate cap agreements. The Partnership enters into these agreements in order to manage the interest-rate sensitivity associated with its variable-rate indebtedness. The differential to be paid or received in connection with interest rate swap and interest rate cap agreements is recognized as interest rates change and is charged or credited to interest expense over the life of the agreements. Gains or losses for early termination of those contracts are recognized as an adjustment to interest expense over the remaining portion of the original life of the terminated contract.

## INCOME TAXES

The Partnership and its subsidiaries, except for Falcon First, Inc., are limited partnerships or limited liability companies and pay no income taxes as entities except for nominal taxes assessed by certain state jurisdictions. All of the income, gains, losses, deductions and credits of the Partnership are passed through to its partners. The basis in the Partnership's assets and liabilities differs for financial and tax reporting purposes. At November 12, 1999, the book basis of the Partnership's net assets exceeded its tax basis by \$623 million.

## ADVERTISING COSTS

All advertising costs are expensed as incurred.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES -- (CONTINUED)

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## NOTE 2 -- PARTNERSHIP MATTERS

The Amended and Restated Agreement of Limited Partnership of FCLP ("FCLP Partnership Agreement") provided that profits and losses will be allocated, and distributions will be made, in proportion to the partners' percentage interests. Prior to November 13, 1999, FHGLP was the managing general partner and a limited partner and owned a 54% interest in FCLP, and Tele-Communications, Inc. was a general partner and owned a 46% interest. The partners' percentage interests were based on the relative net fair market values of the assets contributed to FCLP under the Contribution Agreement, as estimated at the closing. The percentage interests were subsequently adjusted to reflect the December 1998 redemption of a small part of FHGLP's partnership interest.

Through the closing of the sale to Charter, FCLP was required, under certain circumstances, on or after April 1, 2006, to purchase the interests of the non-management limited partners of FHGLP at their then fair value. The estimated redemption value at December 31, 1998 was \$133 million and was reflected in the consolidated financial statements as redeemable partners' equity. Such amount was determined based on management's estimate of the relative fair value of such interests under then current market conditions. These limited partners were redeemed from their portion of the Charter sale proceeds as of November 12, 1999 for \$424 million, which amount is shown as redeemable partners' equity at that date.

The Partnership assumed the obligations of FHGLP under the 1993 Incentive Performance Plan (the "Incentive Performance Plan"), but FHGLP funded this obligation from its portion of the Charter sale proceeds. See Note 8.

## NOTE 3 -- ACQUISITIONS AND SALES

In March and July 1998, FHGLP acquired the Falcon Classic Systems for an aggregate purchase price of \$83.4 million. Falcon Classic had revenue of approximately \$20.3 million for the year ended December 31, 1997.

As discussed in Note 1, on September 30, 1998 the Partnership acquired the TCI Systems and the Falcon Video Systems in accordance with the Contribution Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3 -- ACQUISITIONS AND SALES -- (CONTINUED)

Sources and uses of funds for each of the transactions were as follows:

FALCON CLASSIC FALCON VIDEO TCI SYSTEMS	
SYSTEMS	SYSTEMS
----- (DOLLARS IN THOUSANDS) Sources	
of Funds: Cash on	
hand.....	\$
11,429	\$ 59,038 \$ 6,591
Advance under bank	
credit facilities.....	429,739 56,467
76,800	----- Total
sources of funds.....	
\$441,168	\$115,505 \$83,391 =====
=====	Uses of Funds: Repay debt assumed
from TCI and existing debt of Falcon Video,	
including accrued	
interest.....	
\$429,739	\$115,505 \$ --
Purchase price of	
assets.....	-- -- 83,391
Payment of assumed obligations at	
closing.....	6,495 -- --
Transaction fees	
and expenses.....	2,879 -- --
Available	
funds.....	2,055
-----	Total uses
of funds.....	\$441,168
\$115,505	\$83,391 =====

The following unaudited condensed consolidated statements of operations present the consolidated results of operations of the Partnership as if the acquisitions referred to above had occurred at the beginning of the periods presented and are not necessarily indicative of what would have occurred had the acquisitions been made as of such dates or of results which may occur in the future.

YEAR ENDED DECEMBER 31, -	-----	1997	1998
	-----		
	(DOLLARS IN THOUSANDS)		
Revenues.....		\$ 424,994	\$ 426,827
Expenses.....			
(438,623)	(444,886)	-----	Operating
loss.....			(13,629)
(18,059)	Interest and other		
expenses.....			(115,507)
(130,632)	-----	Loss before extraordinary	
item.....		\$(129,136)	\$(148,691)
	=====	=====	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 3 -- ACQUISITIONS AND SALES -- (CONTINUED)

The acquisitions of the TCI Systems, the Falcon Video Systems and the Falcon Classic Systems were accounted for by the purchase method of accounting, whereby the purchase prices were allocated to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition, as follows:

TCI FALCON FALCON SYSTEMS VIDEO SYSTEMS CLASSIC SYSTEMS -----	
----- (DOLLARS IN THOUSANDS) Purchase	
Price: General partnership interests	
issued.....	\$234,457 \$ 43,073 \$ --
	Debt
assumed.....	275,000 112,196 -- Debt
incurred.....	-- -- 83,391 Other liabilities
assumed.....	955 3,315
	2,804 Transaction
costs.....	2,879
-- --	----- 513,291
158,584 86,195 -----	----- Fair
Market Value of Net Assets Acquired:	
Property, plant and	
equipment.....	77,992 41,889
	33,539 Franchise
costs.....	-----
170,799 36,374 7,847	Customer lists and other
intangible assets.....	217,443 53,602
	34,992 Other
assets.....	-----
4,165 2,381 3,164 -----	-----
470,399 134,246 79,542 -----	-----
--- Excess of purchase price over fair value	
of assets acquired and liabilities	
assumed.....	\$ 42,892 \$ 24,338 \$ 6,653
	=====

The excess of purchase price over the fair value of net assets acquired has been recorded as goodwill and is being amortized using the straight-line method over 20 years.

The general partnership interests issued in the TCI Transaction were valued in proportion to the estimated fair value of the TCI Systems and the Falcon Video Systems as compared to the estimated fair value of the Partnership's assets, which was agreed upon in the Contribution Agreement by all holders of Partnership interests.

In January 1999, the Partnership acquired the assets of certain cable systems serving approximately 591 customers in Oregon for \$801,000. On March 15, 1999, the Partnership acquired the assets of certain cable systems serving approximately 7,928 customers in Utah for \$6.8 million. On March 22, 1999, the Partnership acquired the assets of the Franklin, Virginia system in exchange for the assets of its Scottsburg, Indiana systems and \$8 million in cash and recognized a gain of \$8.5 million. The Franklin system serves approximately 9,042 customers and the Scottsburg systems served approximately 4,507 customers. On July 30, 1999, the Partnership acquired the assets of certain cable systems serving approximately 6,500 customers in Oregon for \$9.5 million.

On March 1, 1999, the Partnership contributed \$2.4 million cash and certain systems located in Oregon with a net book value of \$5.6 million to a joint venture with Bend Cable Communications, Inc., which manages the joint venture. The Partnership owns 17% of the joint venture. These systems had been acquired from Falcon Classic in March 1998, and served approximately 3,471 subscribers at March 1, 1999. On March 26, 1999, the Partnership sold certain systems serving approximately 2,550 subscribers in Kansas for \$3.0 million and recognized a gain of \$2.4 million. The effects of these transactions on results of operations are not material.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 4 -- DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

## Cash and Cash Equivalents

The carrying amount approximates fair value due to the short maturity of those instruments.

## Notes Payable

The fair value of the Partnership's 8.375% Senior Debentures and 9.285% Senior Discount Debentures is based on quoted market prices for those issues of debt as of December 31, 1998. The fair value at December 31, 1999 is based on the redemption amounts paid by Charter to retire the obligations after the acquisition by Charter. The fair value of the Partnership's other subordinated notes is based on quoted market prices for similar issues of debt with similar maturities. The carrying amount of the Partnership's remaining debt outstanding approximates fair value due to its variable rate nature.

## Interest Rate Hedging Agreements

The fair value of interest rate hedging agreements is estimated by obtaining quotes from brokers as to the amount either party would be required to pay or receive in order to terminate the agreements.

The following table depicts the fair value of each class of financial instruments for which it is practicable to estimate that value as of December 31:

DECEMBER 31, 1998	NOVEMBER 12, 1999	-----
-----	-----	-----
---	CARRYING FAIR	CARRYING FAIR
VALUE	VALUE	VALUE
-----	-----	-----
----- (DOLLARS IN THOUSANDS)		
equivalents.....	\$ 14,284	\$
14,284	\$ 9,995	\$ 9,995
	(Note 6): 8.375% Senior	
Debentures.....	375,000	
382,500	375,000	378,750
	9.285% Senior	
Discount Debentures.....	294,982	
289,275	319,085	321,459
	Bank credit	
facilities.....	926,000	
926,000	1,017,750	1,017,750
	Other	
Subordinated Notes.....		
	15,000	16,426
	- - - -	
Other.....		
	371	371
	- - - -	

NOTIONAL FAIR	NOTIONAL FAIR	---
AMOUNT	VALUE	AMOUNT
-----	-----	-----
-- ----- Interest Rate		
Hedging Agreements (Note 6):		
Interest rate		
swaps.....		
	\$1,534,713	\$ (22,013)
	\$1,279,713	\$ 22,518

The carrying value of interest rate swaps was a net obligation of \$9.3 million at December 31, 1998 and \$9 million at November 12, 1999. See Note 6(e). The amount of debt on which current interest expense has been affected is \$960 million and \$745 million for swaps at December 31, 1998 and November 12, 1999, respectively. The balance of the contract totals presented above reflects contracts entered into as of November 12, 1999 which do not become effective until existing contracts expire.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

DECEMBER 31, NOVEMBER 12, 1998	1999	-----	-	-----
---- (DOLLARS IN THOUSANDS) Cable television				
systems.....	\$862,889	Furniture and		\$765,641
equipment.....			25,576	
			29,514	
Vehicles.....	18,381	19,835	Land, buildings and	
improvements.....			16,505	16,568
---- - -----	826,103	928,806	Less accumulated	----
depreciation and amortization.....			(320,209)	
(374,955) -----		\$505,894	\$553,851	=====
				=====

## NOTE 6 -- NOTES PAYABLE

Notes payable consist of:

DECEMBER 31, NOVEMBER 12, 1998	1999	-----	-	-----
---- (DOLLARS IN THOUSANDS) FCLP Only: 8.375% Senior				
Debentures(a).....	\$ 375,000	\$	375,000	\$
	375,000	9.285% Senior Discount Debentures, less		
		unamortized		
discount(a).....	294,982	319,085	Owned Subsidiaries: Credit	
Facility(b).....			926,000	-- Amended and Restated Credit
Agreement(c).....	--	1,017,750	Other	
subordinated notes(d).....			15,000	--
Other.....				
371 -- -----		\$1,611,353	\$1,711,835	=====
				=====

## (a) 8.375% SENIOR DEBENTURES AND 9.285% SENIOR DISCOUNT DEBENTURES

On April 3, 1998, FHGLP and its wholly-owned subsidiary, Falcon Funding Corporation ("FFC" and, collectively with FHGLP, the "Issuers"), sold \$375,000,000 aggregate principal amount of 8.375% Senior Debentures due 2010 (the "Senior Debentures") and \$435,250,000 aggregate principal amount at maturity of 9.285% Senior Discount Debentures due 2010 (the "Senior Discount Debentures" and, collectively with the Senior Debentures, the "Debentures") in a private placement. The Debentures were exchanged for debentures with the same form and terms, but registered under the Securities Act of 1933, as amended, in August 1998.

In connection with consummation of the TCI Transaction, the Partnership was substituted for FHGLP as an obligor under the Debentures and thereupon FHGLP was released and discharged from any further obligation with respect to the Debentures and the related Indenture. FFC remains as an obligor under the Debentures and is now a wholly owned subsidiary of the Partnership. FFC was incorporated solely for the purpose of serving as a co-issuer of the Debentures and does not have any material operations or assets and will not have any revenues.

The Senior Discount Debentures were issued at a price of 63.329% per \$1,000 aggregate principal amount at maturity, for total gross proceeds of approximately \$275.6 million, and will accrete to stated value at an



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 6 -- NOTES PAYABLE -- (CONTINUED)

annual rate of 9.285% until April 15, 2003. The unamortized discount amounted to \$140.3 million at December 31, 1998 and \$116.2 at November 12, 1999, respectively. After giving effect to offering discounts, commissions and estimated expenses of the offering, the sale of the Debentures (representing aggregate indebtedness of approximately \$650.6 million as of the date of issuance) generated net proceeds of approximately \$631 million. The Partnership used substantially all the net proceeds from the sale of the Debentures to repay outstanding bank indebtedness.

## (b) CREDIT FACILITY

On June 30, 1998, the Partnership entered into a \$1.5 billion senior credit facility (the "Credit Facility") which replaced its earlier credit facility and provided funds for the closing of the TCI Transaction. See Note 1. The borrowers under the Credit Facility were the operating subsidiaries prior to consummation of the TCI Transaction and, following the TCI Transaction, the borrower is Falcon LLC. The restricted companies, as defined under the Credit Facility, are Falcon LLC and each of its subsidiaries (excluding certain subsidiaries designated as excluded companies from time to time) and each restricted company (other than Falcon LLC) is also a guarantor of the Credit Facility.

The Credit Facility consisted of three committed facilities (one revolver and two term loans) and one uncommitted \$350 million supplemental credit facility (the terms of which will be negotiated at the time the Partnership makes a request to draw on such facility). Facility A is a \$650 million revolving credit facility maturing December 29, 2006; Facility B is a \$200 million term loan maturing June 29, 2007; and Facility C is a \$300 million term loan maturing December 31, 2007. All of Facility C and approximately \$126 million of Facility B were funded on June 30, 1998, and the debt outstanding under the Partnership's earlier credit facility of approximately \$329 million was repaid. As a result, from June 30, 1998 until September 29, 1998, FHGLP had an excess cash balance of approximately \$90 million. Immediately prior to closing the TCI Transaction, approximately \$39 million was borrowed under Facility A to discharge certain indebtedness of Falcon Video. In connection with consummation of the TCI Transaction, Falcon LLC assumed the approximately \$433 million of indebtedness outstanding under the Credit Facility. In addition to utilizing cash on hand of approximately \$63 million, Falcon LLC borrowed the approximately \$74 million remaining under Facility B and approximately \$366 million under Facility A to discharge approximately \$73 million of Falcon Video indebtedness and to retire approximately \$430 million of TCI indebtedness assumed as part of the contribution of the TCI Systems. As a result of these borrowings, the amount outstanding under the Credit Facility at December 31, 1998 was \$926 million. Subject to covenant limitations, the Partnership had available to it additional borrowing capacity thereunder of \$224 million at December 31, 1998. However, limitations imposed by the Partnership's partnership agreement, as amended, would limit available borrowings at December 31, 1998 to \$23.1 million.

## (c) AMENDED AND RESTATED CREDIT AGREEMENT

On November 12, 1999, the Partnership amended the Credit Facility with the Amended and Restated Credit Agreement (the "Amended Agreement") providing for a \$1.85 billion senior credit facility. The Amended Agreement consists of four committed facilities (two revolvers and two term loans) and one uncommitted \$590 million supplemental credit facility (the terms of which will be negotiated at the time the Partnership makes a request to draw on such facility). Facility A is a \$646 million revolving credit facility maturing December 29, 2006; Facility B is a \$200 million term loan maturing June 29, 2007; Facility C is a \$300 million term loan maturing December 31, 2007; and Facility D is a \$110 million supplemental revolving credit facility maturing on December 31, 2007. As a result of borrowings, the amount outstanding under the Amended Agreement at November 12, 1999 was \$1.018 billion. The Partnership had available to it additional borrowing capacity thereunder of \$235 million. However debt covenants limit the amount that can be

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 6 -- NOTES PAYABLE -- (CONTINUED)

borrowed to \$205 million at November 12, 1999, which was subject to limitations imposed by the Partnership's partnership agreement. Charter paid the lenders a fee of \$2 million to obtain the Amended Agreement.

## (d) OTHER SUBORDINATED NOTES

Other subordinated notes consisted of 11.56% Subordinated Notes due March 2001. The subordinated notes were repaid by Charter on November 12, 1999 with accrued interest of \$202,000 and a prepayment premium of \$1,143,000.

## (e) INTEREST RATE HEDGING AGREEMENTS

The Partnership utilizes interest rate hedging agreements to establish long-term fixed interest rates on a portion of its variable-rate debt. The Amended Agreement requires that interest be tied to the ratio of consolidated total debt to consolidated annualized cash flow (in each case, as defined therein), and further requires that the Partnership maintain hedging arrangements with respect to at least 50% of the outstanding borrowings thereunder plus any additional borrowings of the Partnership, including the Debentures, for a two year period. As of November 12, 1999, borrowings under the Amended Agreement bore interest at an average rate of 7.51% (including the effect of interest rate hedging agreements). The Partnership has entered into fixed interest rate hedging agreements with an aggregate notional amount at November 12, 1999 of \$1.28 billion. Agreements in effect at November 12, 1999 totaled \$745 million, with the remaining \$535 million to become effective as certain of the existing contracts mature from 2000 through October 2004. These agreements expire at various times through October 2006.

The hedging agreements resulted in additional interest expense of \$350,000, \$1.2 million and \$3.9 million for the years ended December 31, 1997 and 1998 and for the period from January 1, 1999 to November 12, 1999, respectively. The Partnership does not believe that it has any significant risk of exposure to non-performance by any of its counterparties.

## (f) DEBT MATURITIES

The Partnership's notes payable outstanding at November 12, 1999 mature as follows:

	8.375% YEAR DEBENTURES	9.285% SENIOR DEBENTURES	SENIOR BANKS	NOTES TO TOTAL
----- (DOLLARS IN THOUSANDS) -----				
2000.....	\$ --	\$ --	\$ 5,000	\$ 5,000
2001.....	--	--	5,000	5,000
2002.....	--	--	5,000	5,000
2003.....	--	--	5,000	5,000
2004.....	--	--	5,000	5,000
Thereafter.....	\$375,000	\$435,250	\$992,750	\$1,803,000

## (G) EXTRAORDINARY ITEM

Fees and expenses incurred in connection with the repurchase of the Partnership's 11% Notes (the "Notes") on May 19, 1998 and the retirement of the remaining Notes on September 15, 1998 were \$19.7 million in the aggregate. In addition, the unamortized portion of deferred loan costs related to the Notes and a previous credit facility, which amounted to \$10.9 million in the aggregate, were written off as an extraordinary charge upon the extinguishment of the related debt in 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7 -- COMMITMENTS AND CONTINGENCIES

The Partnership leases land, office space and equipment under operating leases expiring at various dates through the year 2039. See Note 9.

Future minimum rentals for operating leases at November 12, 1999 are as follows:

YEAR TOTAL -	(DOLLARS IN THOUSANDS)
1999.....	\$ 353
2000.....	2,904
2001.....	2,527
2002.....	2,132
2003.....	1,232
Thereafter.....	4,612 ----- \$13,760 =====

In most cases, management expects that, in the normal course of business, these leases will be renewed or replaced by other leases. Rent expense amounted to \$2.4 million in 1997, \$3.1 million in 1998 and \$3.6 million for the period from January 1, 1999 to November 12, 1999.

In addition, the Partnership rents line space on utility poles in some of the franchise areas it serves. These rentals amounted to \$3.1 million for 1997, \$3.9 million for 1998 and \$4.5 million for the period from January 1, 1999 to November 12, 1999. Generally, such pole rental agreements are short-term; however, the Partnership anticipates such rentals will continue in the future.

Beginning in August 1997, the Partnership elected to self-insure its cable distribution plant and subscriber connections against property damage as well as possible business interruptions caused by such damage. The decision to self-insure was made due to significant increases in the cost of insurance coverage and decreases in the amount of insurance coverage available. In October 1998, the Partnership reinstated third party insurance coverage against damage to its cable distribution plant and subscriber connections and against business interruptions resulting from such damage. This coverage is subject to a significant annual deductible and is intended to limit the Partnership's exposure to catastrophic losses, if any, in future periods. Management believes that the relatively small size of the Partnership's markets in any one geographic area, coupled with their geographic separation, will mitigate the risk that the Partnership could sustain losses due to seasonal weather conditions or other events that, in the aggregate, could have a material adverse effect on the Partnership's liquidity and cash flows. The Partnership continues to purchase insurance coverage in amounts management views as appropriate for all other property, liability, automobile, workers' compensation and other types of insurable risks.

The Partnership is required under various franchise agreements at November 12, 1999 to rebuild certain existing cable systems at a cost of approximately \$125.4 million.

The Partnership is regulated by various federal, state and local government entities. The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"), provides for among other things, federal and local regulation of rates charged for basic cable service, cable programming service tiers ("CPSTs") and equipment and installation services. Regulations issued in 1993 and significantly amended in 1994 by the Federal Communications Commission (the "FCC") have resulted in changes in the rates charged for the Partnership's cable services. The Partnership believes that compliance with the 1992 Cable Act has had a negative impact on its operations and cash flow. It also presently believes that any potential future liabilities for refund claims or other related actions would not be material. The Telecommunications Act of 1996 (the "1996 Telecom Act") was signed into law on February 8, 1996. As it pertains to cable television,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 7 -- COMMITMENTS AND CONTINGENCIES -- (CONTINUED)

the 1996 Telecom Act, among other things, (i) ends the regulation of certain CPSTs in 1999; (ii) expands the definition of effective competition, the existence of which displaces rate regulation; (iii) eliminates the restriction against the ownership and operation of cable systems by telephone companies within their local exchange service areas; and (iv) liberalizes certain of the FCC's cross-ownership restrictions.

The Partnership has various contracts to obtain basic and premium programming from program suppliers whose compensation is generally based on a fixed fee per customer or a percentage of the gross receipts for the particular service. Some program suppliers provide volume discount pricing structures or offer marketing support to the Partnership. The Partnership's programming contracts are generally for a fixed period of time and are subject to negotiated renewal. The Partnership does not have long-term programming contracts for the supply of a substantial amount of its programming. Accordingly, no assurances can be given that the Partnership's programming costs will not continue to increase substantially or that other materially adverse terms will not be added to the Partnership's programming contracts. Management believes, however, that the Partnership's relations with its programming suppliers generally are good.

Effective December 1, 1998, the Partnership elected to obtain certain of its programming services through an affiliate of TCI. This election resulted in a reduction in the Partnership's programming costs, the majority of which will be passed on to its customers in the form of reduced rates in compliance with FCC rules. The Partnership has elected to continue to acquire its remaining programming services under its existing programming contracts. The Partnership, in the normal course of business, purchases cable programming services from certain program suppliers owned in whole or in part by an affiliate of TCI.

The Partnership is periodically a party to various legal proceedings. Such legal proceedings are ordinary and routine litigation proceedings that are incidental to the Partnership's business, and management presently believes that the outcome of all pending legal proceedings will not, individually or in the aggregate, have a material adverse effect on the financial condition of the Partnership.

The Partnership, certain of its affiliates, and certain third parties were named as defendants in an action entitled Frank O'Shea I.R.A. et al. v. Falcon Cable Systems Company, et al., Case No. BC 147386, in the Superior Court of the State of California, County of Los Angeles (the "Action"). Plaintiffs in the Action were certain former unitholders of Falcon Cable Systems Company ("FCSC") purporting to represent a class consisting of former unitholders of FCSC other than those affiliated with FCSC and/or its controlling persons. The complaint in the Action alleged, among other things, that defendants breached their fiduciary and contractual duties to unitholders, and acted negligently, with respect to the purchase from former unitholders of their interests in FCSC in 1996. A settlement of the action was approved by the court in May 1999 and has become effective. The terms of the settlement did not have a material adverse effect on the financial condition of the Partnership. Net of insurance proceeds, the settlement's cost to the Partnership amounted to approximately \$2.9 million. The Partnership recognized expenses related to the settlement of \$145,000, \$2.5 million and \$166,000 in 1997, 1998, and for the period from January 1, 1999 to November 12, 1999, respectively.

In various states, customers have filed punitive class action lawsuits on behalf of all persons residing in those states who are or were customers of the Partnership's cable television service, and who have been charged a fee for delinquent payment of their cable bill. The actions challenge the legality of the processing fee and seek declaratory judgment, injunctive relief and unspecified damages. At this stage, the Partnership is not able to project the outcome of the actions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 8 -- EMPLOYEE BENEFIT PLANS

The subsidiaries of the Partnership have a cash or deferred profit sharing plan (the "Profit Sharing Plan") covering substantially all of their employees. FHGLP joined in the adoption of the FHGI cash or deferred profit sharing plan as of March 31, 1993. The provisions of this plan were amended to be substantially identical to the provisions of the Profit Sharing Plan.

The Profit Sharing Plan provides that each participant may elect to make a contribution in an amount up to 20% of the participant's annual compensation which otherwise would have been payable to the participant as salary. The Partnership's contribution to the Profit Sharing Plan, as determined by management, is discretionary but may not exceed 15% of the annual aggregate compensation (as defined) paid to all participating employees. Effective January 1, 1999 the Profit Sharing Plan was amended, whereby the Partnership would make an employer contribution equal to 100% of the first 3% and 50% of the next 2% of the participant's contributions, respectively. There were no contributions for the Profit Sharing Plan in 1997 or 1998. The partnership contributed \$1.0 million during the period from January 1, 1999 to November 12, 1999.

On September 30 1998, the Partnership assumed the obligations of FHGLP for its 1993 Incentive Performance Plan (the "Incentive Plan"). The value of the interests in the Incentive Plan was tied to the equity value of certain partnership units in FHGLP held by FHGI. In connection with the assumption by the Partnership, FHGLP agreed to fund any benefits payable under the Incentive Plan through additional capital contributions to the Partnership, the waiver of its rights to receive all or part of certain distributions from the Partnership and/or a contribution of a portion of its partnership units to the Partnership. The benefits which were payable under the Incentive Plan are equal to the amount of distributions which FHGI would have otherwise received with respect to 1,932.67 of the units of FHGLP held by FHGI and a portion of FHGI's interest in certain of the partnerships that are the general partners of the Partnership's operating subsidiaries. Benefits were payable under the Incentive Plan only when distributions would otherwise be paid to FHGI with respect to the above-described units and interests.

In 1999, the Partnership adopted a Restricted Unit Plan (the "New FCLP Incentive Plan" or "Plan") for the benefit of certain employees. Grants of restricted units are provided at the discretion of the Advisory Committee. The value of the units in the New FCLP Incentive Plan is tied to the equity value of FCLP above a base equity as determined initially in 1999 by the partners, and for grants in subsequent years by an appraisal. Benefits are payable under the New FCLP Incentive Plan only when distributions would otherwise be payable to equity holders of FCLP. An initial grant of 100,000 units representing 2.75% of the equity of FCLP in excess of the equity base was approved and will be allocated to the participants in the Plan. There is a five-year vesting requirement for all participants.

In connection with the sale of the Partnership to Charter discussed in Note 1, the Partnership recorded compensation expense in the amount of approximately \$46.4 million related to both the Incentive Plan (\$21 million) and the New FCLP Incentive Plan (\$25.4 million). The amount was determined based on the value of the underlying ownership units, as established by the sale of the Partnership to Charter, and on estimated closing working capital and debt balances of the Partnership. The Partnership paid \$33 million on November 12, 1999 to certain employees. The payments were funded by net proceeds of the sale. The Partnership transferred its remaining liability approximating \$13.4 million to FHGLP who will make the final payments under the plans. The participants in the Incentive Plan were present and former employees of the Partnership, FHGLP and its operating affiliates, all of whom were 100% vested. Prior to the closing of the TCI Transaction, FHGLP amended the Incentive Plan to provide for payments by FHGLP at the closing of the TCI Transaction to participants in an aggregate amount of approximately \$6.5 million and to reduce by such amount FHGLP's obligations to make future payments to participants under the Incentive Plan.

In addition to the amounts expensed pursuant to the equity plans, the Partnership recorded bonuses to certain employees in the aggregate amount of \$20 million upon the closing of the sale to Charter. The

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 8 -- EMPLOYEE BENEFIT PLANS -- (CONTINUED)

Partnership also recorded employee severance and other compensation aggregating \$4.2 million. The Partnership paid \$11.8 million on November 12, 1999 to certain employees. The payments were funded by net proceeds of the sale. The Partnership transferred its remaining liability approximating \$12.4 million to FHGLP who will make the final payment. The aggregate amount of expenses recorded under benefit plans and severance and other compensation of \$70.7 million was recorded as a capital contribution, as FHGLP's share of the proceeds from the sale have been, or will be, used to fund such obligations.

## NOTE 9 -- RELATED PARTY TRANSACTIONS

The Partnership is a separate, stand-alone holding company which employs all of the management personnel. The Partnership is financially dependent on the receipt of permitted payments from its operating subsidiaries, management and consulting fees from domestic cable ventures, and the reimbursement of specified expenses by certain of the Affiliated Partnerships to fund its operations. Expected increases in the funding requirements of the Partnership combined with limitations on its sources of cash may create liquidity issues for the Partnership in the future. Specifically, the Credit Facility permitted the subsidiaries of the Partnership to remit to the Partnership no more than 4.25% of their net cable revenues, as defined, in any year. Beginning on January 1, 1999, this limitation was increased to 4.5% of net cable revenues in any year. As a result of the 1998 acquisition by the Partnership of the Falcon Classic and Falcon Video Systems, the Partnership will no longer receive management fees and reimbursed expenses from Falcon Classic or receive management fees from Falcon Video. Commencing on October 1, 1998, FHGLP retains 20% of the management fees paid by the Enstar partnerships. The management fees earned from the Enstar partnerships were \$2 million, \$1.9 million and \$1.4 million for the years ended December 31, 1997 and 1998 and for the period from January 1, 1999 to November 12, 1999, respectively.

The management and consulting fees and expense reimbursements earned from the Affiliated Partnerships amounted to approximately \$5.2 million and \$2.1 million, \$3.7 million and \$1.5 million and \$1.4 million and \$1.4 million for the years ended December 31, 1997 and 1998 and for the period ended November 12, 1999, respectively. The fees and expense reimbursements of \$3.7 million and \$1.5 million earned in 1998 included \$191,000 and \$128,000 earned from Falcon Classic from January 1, 1998 through July 16, 1998, and \$1.2 million in management fees from Falcon Video from January 1, 1998 through September 30, 1998. Subsequent to these acquisitions, the amounts payable to the Partnership in respect of its management of the former Falcon Classic and Falcon Video systems became subject to the limitations contained in the Credit Facility.

Included in Commitments and Contingencies (Note 7) is a facility lease agreement with the Partnership's Chief Executive Officer and his wife, or entities owned by them, requiring annual future minimum rental payments aggregating \$2.5 million through 2005. During the years ended December 31, 1997 and 1998 and for the period ended November 12, 1999, rent expense on the facility amounted to \$383,000, \$416,000 and \$369,000, respectively. FCLP purchased a facility owned by the Partnership's Chief Executive Officer and his wife in February 1999 for \$283,000 which was previously leased by FCLP.

In addition, the Partnership provides certain accounting, bookkeeping and clerical services to the Partnership's Chief Executive Officer. The costs of services provided were determined based on allocations of time plus overhead costs (rent, parking, supplies, telephone, etc.). Such services amounted to \$163,000, \$212,000 and \$256,000 for the years ended December 31, 1997 and 1998 and for the period from January 1, 1999 to November 12, 1999, respectively. These costs were net of amounts reimbursed to the Partnership by the Chief Executive Officer amounting to \$55,000, \$72,000 and \$77,000 for the years ended December 31, 1997 and 1998 and for the period from January 1, 1999 to November 12, 1999, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 10 -- OTHER INCOME (EXPENSE)

Other income (expense) is comprised of the following:

YEAR ENDED PERIOD FROM DECEMBER 31, JANUARY 1, 1999 ----- TO NOVEMBER 12, 1997 1998 1999 -----	(DOLLARS IN THOUSANDS)		
Gain (loss) on insured casualty losses.....	\$ 3,476	\$ 314	\$ (69)
Gain on sale of system.....	10,671		
Falcon.....	(2,427)		
Gain (loss) on sale of investment.....	(1,360)	174	--
Net lawsuit settlement costs.....	(1,030)		
(2,614)	(166)	Other,	
net.....	(201)	(791)	53
	\$ (2,917)	\$ 8,062	=====
			=====
			=====
			\$ 885

## NOTE 11 -- SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

## Operating activities

During the years ended December 31, 1997 and 1998 and the period from January 1, 1999 to November 12, 1999, FCLP paid cash interest amounting to approximately \$48.1 million, \$84.9 million and \$93.9 million, respectively.

## Investing activities

See Note 3 regarding the non-cash investing activities related to the acquisitions of the cable systems of the TCI Systems, the Falcon Video Systems and the Falcon Classic Systems. Also included in Note 3 are the non-cash investing activities related to the exchange of the Partnership's Scottsburg, Indiana system for a system in Franklin, Virginia.

## Financing activities

See Note 3 regarding the non-cash financing activities relating to the acquisitions of the cable systems of the TCI Systems, the Falcon Video Systems and the Falcon Classic Systems. See Note 2 regarding the reclassification to redeemable partners' equity.

## NOTE 12 -- FCLP (PARENT COMPANY ONLY)

The following parent-only condensed financial information presents Falcon Communications, L.P.'s balance sheets and related statements of operations and cash flows by accounting for the investments in its subsidiaries on the equity method of accounting. The accompanying condensed financial information should be read in conjunction with the consolidated financial statements and notes thereto.

## FALCON COMMUNICATIONS, L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 12 -- FCLP (PARENT COMPANY ONLY) -- (CONTINUED)  
CONDENSED BALANCE SHEET INFORMATION

	NOVEMBER 12, 1999	DECEMBER 31, 1998	(DATE OF DISPOSITION)
(DOLLARS IN THOUSANDS) ASSETS: Cash and cash equivalents..... \$ 1,605 \$ 3,363			
Receivables: Intercompany notes and accrued interest receivable.....	655,128	674,409	Due from affiliates and other entities..... 2,129
Prepaid expenses and other.....	236	305	Property, plant and equipment, less accumulated depreciation and amortization..... 3,599 4,572
Deferred loan costs, less accumulated amortization.....	20,044	18,718	-----
-- \$ 682,741	\$ 701,475	=====	=====
LIABILITIES: Senior notes payable..... \$ 669,982 \$ 694,085			
Notes payable to affiliates.....	70,805	71,801	Accounts payable..... 135
Accrued expenses.....	14,000	10,432	Equity in net losses of subsidiaries in excess of investment.....
	198,492	324,533	----- TOTAL
LIABILITIES.....			
	953,414	1,101,191	REDEEMABLE PARTNERS'
EQUITY..... 133,023			
	424,280	PARTNERS'	
DEFICIT.....			
(403,696)	(823,996)	-----	\$ 682,741 \$
	701,475	=====	=====



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 12 -- FCLP (PARENT COMPANY ONLY) -- (CONTINUED)  
CONDENSED STATEMENT OF OPERATIONS INFORMATION

PERIOD FROM YEAR ENDED DECEMBER 31, JANUARY 1, 1999 TO ----- NOVEMBER 12, 1999 1997 1998 (DATE OF DISPOSITION) ----- ----- (DOLLARS IN THOUSANDS) REVENUES: Management fees:			
Affiliated Partnerships.....	\$ 2,873	\$ 2,120	\$ 1,372
Subsidiaries.....	13,979	14,010	16,530
International and other.....	281	33	29
----- Total			
revenues.....	17,133		
16,163 17,931 -----			
EXPENSES: General and administrative expenses.....	11,328	21,134	83,180
Depreciation and amortization.....	274	559	1,242
----- Total			
expenses.....	11,602		
21,693 84,422 -----			
Operating income (loss).....	5,531	(5,530)	(66,491)
OTHER INCOME (EXPENSE): Interest			
income.....	22,997	50,562	49,731
expense.....	(30,485)	(59,629)	(56,861)
Equity in net losses of subsidiaries.....	(56,422)		
(105,659) (126,041) Equity in net losses of investee partnerships....	(4)	(31)	-- Other, net.....
(2,455) -- 830 -----			
Net loss before extraordinary item.....	(60,838)	(120,287)	
(198,832) Extraordinary item, retirement of debt.....	-- (24,196)	--	-----
----- NET			
LOSS.....	\$ (60,838)	\$ (144,483)	\$ (198,832) =====
	=====	=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 12 -- FCLP (PARENT COMPANY ONLY) -- (CONTINUED)  
CONDENSED STATEMENT OF CASH FLOWS INFORMATION

YEAR ENDED PERIOD FROM DECEMBER 31, JANUARY 1, 1999 TO ----- NOVEMBER 12, 1999 1997 1998 (DATE OF DISPOSITION) -----			
----- (DOLLARS IN THOUSANDS) Net			
cash provided by (used in) Operating			
activities.....	\$1,478	\$(418,226)	\$2,982
Cash flows from investing activities:			
Distributions from affiliated			
partnerships.....	--	1,820	--
Capital			
expenditures.....	(417)		
(2,836) (2,218) Investments in affiliated			
partnerships and other			
investments.....	(254)	(2,998)	--
Proceeds from sale of			
investments and other			
assets.....	702	1,694	4
Assets retained by Falcon Holding			
Group, L.P.....	--	(2,893)	--
Net cash provided by (used in) investing			
activities.....	31	(5,213)	(2,214)
Cash			
flows from financing activities: Repayment of			
debt.....	(131)		
(282,203) -- Borrowings from notes			
payable.....	--	650,639	--
Borrowings from			
subsidiaries.....	--	70,805	996
Capital			
contributions.....	93	--	--
Redemption of partners'			
equity.....	--	(1,170)	--
Deferred			
loan costs.....	--		--
(21,204) (7) -----			
Net cash			
provided by (used in) financing			
activities.....	(38)	416,867	989
Net			
increase (decrease) in cash and cash			
equivalents.....	1,471	(6,572)	1,757
Cash and cash equivalents, at			
beginning of period... 6,706 8,177 1,605 -----			
Cash and cash equivalents, at end			
of period.....	\$8,177	\$ 1,605	\$3,362
=====			
=====			

NOTE 13 -- VALUATION AND QUALIFYING ACCOUNTS

ADDITIONS BALANCE AT CHARGED TO			
BALANCE AT BEGINNING COST AND END			
OF OF PERIOD EXPENSES(A)			
DEDUCTIONS(B) OTHER(C) PERIOD -----			
-----			
----- (DOLLARS IN			
THOUSANDS) Allowance for possible			
losses on receivables Year ended			
December 31,			
1997.....	\$907	\$5,714	\$(5,796)
--			\$ 825
1998.....	\$825	\$4,775	\$(5,299)
\$369 \$ 670			
Period from January 1, 1999 to			
November 12,			
1999.....	\$670	\$4,510	
\$(4,106) --			\$1,074

(a) Provision for losses, net of recoveries.

(b) Write-off uncollectible accounts.

(c) Allowance for losses on receivables acquired in connection with the acquisition of Falcon Classic, Falcon Video and the TCI Systems.

F-349

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 14 -- YEAR 2000 (UNAUDITED)

In the prior years, the Partnership discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the Partnership completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Partnership experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The Partnership expensed approximately \$4.7 million during the period from January 1, 1999 to November 12, 1999 in connection with remediating its systems. The Partnership is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties.

F-350

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Tele-Communications, Inc.:

We have audited the accompanying combined balance sheets of the TCI Falcon Systems (as defined in Note 1 to the combined financial statements) as of September 30, 1998 and December 31, 1997, and the related combined statements of operations and parent's investment, and cash flows for the nine-month period ended September 30, 1998 and for each of the years in the two-year period ended December 31, 1997. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the TCI Falcon Systems as of September 30, 1998 and December 31, 1997, and the results of their operations and their cash flows for the nine-month period ended September 30, 1998 and for each of the years in the two-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado  
June 21, 1999

F-351

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED BALANCE SHEETS

SEPTEMBER 30, DECEMBER 31, 1998	1997	-----
----- (AMOUNTS IN THOUSANDS) ASSETS		
Trade and other receivables, net.....	\$ 2,452	\$
Property and equipment, at cost:		
Land.....	1,289	1,232
Distribution systems.....	151,017	
Support equipment and buildings.....	20,687	18,354
Less accumulated depreciation.....	172,993	157,353
Franchise costs.....	92,589	87,496
Less accumulated amortization.....	399,258	393,540
Other assets, net of accumulated amortization.....	70,045	62,849
LIABILITIES AND PARENT'S INVESTMENT		
Accounts payable.....	\$ 729	
Accrued expenses.....	\$ 350	
Deferred income taxes (note 4).....	124,586	121,183
Total liabilities.....	130,582	
Parent's investment (note 5).....	294,302	298,546
Commitments and contingencies (note 6).....	\$424,884	\$423,566
	=====	=====

See accompanying notes to combined financial statements.  
F-352

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED STATEMENTS OF OPERATIONS AND PARENT'S INVESTMENT

JANUARY 1, 1998 YEARS ENDED THROUGH DECEMBER 31, SEPTEMBER 30, - -----	1998	1997	1996	---
-----	(AMOUNTS IN THOUSANDS)			
Revenue.....				
\$ 86,476 \$113,897 \$102,155 Operating costs and expenses: Operating (note 5).....	31,154	39,392		
33,521 Selling, general and administrative.....	17,234	19,687	21,695	
Administrative fees (note 5).....	2,853	5,034	5,768	
Depreciation.....	10,317	12,724	12,077	
Amortization.....	7,440	9,785	8,184	----- 68,998
86,622 81,245 -----				----- Operating
income.....	17,478	27,275		
20,910 Other income (expense): Intercompany interest expense (note 5).....	(4,343)	(5,832)		
(4,701) Other,				
net.....	28	(84)		
(44) -----	(4,315)	(5,916)		
(4,745) ----- Earnings before income taxes.....	13,163	21,359		
16,165 Income tax expense.....	(5,228)			
(8,808) (6,239) ----- Net earnings.....	7,935			
12,551 9,926 Parent's investment: Beginning of period.....	298,546			
319,520 262,752 Change in due to Tele-Communications, Inc. ("TCI") (note 5).....	(12,179)			
(33,525) 46,842 ----- End of period.....				
\$294,302 \$298,546 \$319,520 =====				

See accompanying notes to combined financial statements.  
F-353





TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM JANUARY 1, 1998 TO SEPTEMBER 30, 1998,  
AND FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

(1) BASIS OF PRESENTATION

The combined financial statements include the accounts of thirteen of TCI's cable television systems serving certain subscribers within Oregon, Washington, Alabama, Missouri and California (collectively, the "TCI Falcon Systems"). This combination was created in connection with the Partnership formation discussed below. The TCI Falcon Systems were indirectly wholly-owned by TCI in all periods presented herein up to the date of the Contribution, as defined below. All significant inter-entity accounts and transactions have been eliminated in combination. The combined net assets of the TCI Falcon Systems including amounts due to TCI are referred to as "Parent's Investment".

TCI's ownership interests in the TCI Falcon Systems, as described above, were acquired through transactions wherein TCI acquired various larger cable entities (the "Original Systems"). The TCI Falcon System's combined financial statements include an allocation of the purchase price and certain purchase accounting adjustments, including the related deferred tax effects, from TCI's acquisition of the Original Systems. Such allocation and the related franchise cost amortization was based on the relative fair market value of the systems acquired. In addition, certain costs of TCI are charged to the TCI Falcon Systems based on their number of customers (see note 5). Although such allocations are not necessarily indicative of the costs that would have been incurred by the TCI Falcon Systems on a stand alone basis, management believes that the resulting allocated amounts are reasonable.

Partnership Formation

On September 30, 1998, TCI and Falcon Holding Group, LP ("Falcon") closed a transaction under a Contribution and Purchase Agreement (the "Contribution"), whereby TCI contributed the TCI Falcon Systems to a newly formed partnership (the "Partnership") between TCI and Falcon in exchange for an approximate 46% ownership interest in the Partnership. The accompanying combined financial statements reflect the position, results of operations and cash flows of the TCI Falcon Systems immediately prior to the Contribution, and, therefore, do not include the effects of such Contribution.

(2) ACQUISITION

On January 1, 1998, a subsidiary of TCI acquired certain cable television assets in and around Ellensburg, WA from King Videocable Company. On the same date, these assets were transferred to the TCI Falcon Systems. As a result of these transactions, the TCI Falcon Systems recorded non-cash increases in property and equipment of \$2,100,000, in franchise costs of \$4,923,000, and in parent's investment of \$7,023,000. Assuming the acquisition had occurred on January 1, 1997, the TCI Falcon Systems' pro forma results of operations would not have been materially different from the results of operations for the year ended December 31, 1997.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance at September 30, 1998 and December 31, 1997 was not significant.

Property and Equipment

Property and equipment are stated at cost, including acquisition costs allocated to tangible assets acquired. Construction costs, labor and applicable overhead related to installations, and interest during

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

construction are capitalized. During the nine-month period ended September 30, 1998 and for the years ended December 31, 1997 and 1996, interest capitalized was not significant.

Depreciation is computed on a straight-line basis using estimated useful lives of 3 to 15 years for distribution systems and 3 to 40 years for support equipment and buildings.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. At the time of ordinary retirements, sales or other dispositions of property, the original cost and cost of removal of such property are charged to accumulated depreciation, and salvage, if any, is credited thereto. Gains or losses are only recognized in connection with the sales of properties in their entirety.

#### Franchise Costs

Franchise costs include the difference between the cost of acquiring cable television systems and amounts assigned to their tangible assets. Such amounts are generally amortized on a straight-line basis over 40 years. Costs incurred by the TCI Falcon Systems in negotiating and renewing franchise agreements are amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years.

#### Impairment of Long-Lived Assets

Management periodically reviews the carrying amounts of property, plant and equipment and its intangible assets to determine whether current events or circumstances warrant adjustments to such carrying amounts. If an impairment adjustment is deemed necessary based on an analysis of undiscounted cash flows, such loss is measured by the amount that the carrying value of such assets exceeds their fair value. Considerable management judgment is necessary to estimate the fair value of assets, accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

#### Revenue Recognition

Cable revenue for customer fees, equipment rental, advertising, and pay-per-view programming is recognized in the period that services are delivered. Installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable television system.

#### Combined Statements of Cash Flows

Transactions effected through the intercompany account with TCI (except for the acquisition and dividend discussed in notes 2 and 5, respectively) have been considered constructive cash receipts and payments for purposes of the combined statements of cash flows.

#### Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Reclassifications

Certain prior year amounts have been reclassified for comparability with the 1998 presentation.

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

(4) INCOME TAXES

The TCI Falcon Systems were included in the consolidated federal income tax return of TCI. Income tax expense for the TCI Falcon Systems is based on those items in the consolidated calculation applicable to the TCI Falcon Systems. Intercompany tax allocation represents an apportionment of tax expense or benefit (other than deferred taxes) among subsidiaries of TCI in relation to their respective amounts of taxable earnings or losses. The payable or receivable arising from the intercompany tax allocation is recorded as an increase or decrease in amounts due to TCI. Deferred income taxes are based on the book and tax basis differences of the assets and liabilities within the TCI Falcon Systems. The income tax amounts included in the accompanying combined financial statements approximate the amounts that would have been reported if the TCI Falcon Systems had filed a separate income tax return.

Income tax expense for the nine-month period ended September 30, 1998 and for the years ended December 31, 1997 and 1996 consists of:

CURRENT DEFERRED TOTAL -----			
(AMOUNTS IN THOUSANDS) Nine-month period ended			
September 30, 1998: Intercompany			
allocation.....	\$(1,825)	\$	
	-- \$(1,825)		
Federal.....			
	-- (2,778)	(2,778)	State and
local.....		-- (625)	
(625) -----	\$(1,825)	\$(3,403)	
\$ (5,228) =====			Year ended
December 31, 1997: Intercompany			
allocation.....	\$(1,487)	\$	
	-- \$(1,487)		
Federal.....			
	-- (5,862)	(5,862)	State and
local.....		(140)	
(1,319) (1,459) -----		\$(1,627)	
\$ (7,181) \$(8,808) =====			Year
ended December 31, 1996: Intercompany			
allocation.....	\$(1,620)	\$	
	-- \$(1,620)		
Federal.....			
	-- (4,032)	(4,032)	State and
local.....		(86)	
(501) (587) -----		\$(1,706)	
\$ (4,533) \$(6,239) =====			

Income tax expense differs from the amounts computed by applying the federal income tax rate of 35% as a result of the following:

JANUARY 1, 1998 YEARS ENDED THROUGH DECEMBER 31,			
SEPTEMBER 30, - -----	1998	1997	1996
-----			
(AMOUNTS IN			
THOUSANDS) Computed "expected" tax			
expense.....	\$(4,607)	\$(7,476)	
\$ (5,658) Amortization not deductible for tax			
purposes.....	(198)	(265)	(178)
income taxes, net of federal income tax			
benefit.....	(406)	(948)	
	(382)		
Other.....			
(17) (119) (21) -----			\$(5,228)
\$ (8,808) \$(6,239) =====			

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liabilities at September 30, 1998 and December 31, 1997 are presented below:

SEPTEMBER 30, 1997	DECEMBER 31, 1998
-----	
(AMOUNTS IN THOUSANDS) Deferred tax asset -- principally due to non-deductible accruals.....	
\$ 146	\$ 128
-----	
Deferred tax liabilities:	
Property and equipment, principally due to differences in depreciation.....	
24,246	20,985
Franchise costs, principally due to differences in amortization and initial basis.....	
100,326	100,486
-----	
Total gross deferred tax liabilities.....	
124,732	121,311
-----	
Net deferred tax liability.....	
\$124,586	\$121,183
=====	

(5) PARENT'S INVESTMENT

Parent's investment in the TCI Falcon Systems at September 30, 1998 and December 31, 1997 is summarized as follows:

SEPTEMBER 30, 1997	DECEMBER 31, 1998
-----	
(AMOUNTS IN THOUSANDS) Due to TCI.....	
\$ 642,228	\$224,668
Retained earnings (deficit).....	
73,878	(347,926)
-----	
\$298,546	\$ 294,302
=====	

The amount due to TCI represents advances for operations, acquisitions and construction costs, as well as, the amounts owed as a result of the allocation of certain costs from TCI. TCI charges intercompany interest expense at variable rates to cable systems within the TCI Falcon Systems based upon amounts due to TCI from the cable systems. Such amounts are due on demand.

On August 15, 1998, TCI caused the TCI Falcon Systems to effect distributions from the TCI Falcon Systems to TCI aggregating \$429,739,000 (the "Dividend"). The Dividend resulted in a non-cash increase to the intercompany amounts owed to TCI and a corresponding non-cash decrease to retained earnings.

As a result of TCI's ownership of 100% of the TCI Falcon Systems prior to the Contribution, the amounts due to TCI have been classified as a component of parent's investment in the accompanying combined financial statements.

The TCI Falcon Systems purchase, at TCI's cost, substantially all of their pay television and other programming from affiliates of TCI. Charges for such programming were \$21,479,000, \$25,500,000 and \$20,248,000 for the nine months ended September 30, 1998 and the years ended December 31, 1997 and 1996, respectively, and are included in operating expenses in the accompanying combined financial statements.

Certain subsidiaries of TCI provide administrative services to the TCI Falcon Systems and have assumed managerial responsibility of the TCI Falcon Systems' cable television system operations and construction. As compensation for these services, the TCI Falcon Systems pay a monthly fee calculated on a per-customer basis.

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The intercompany advances and expense allocation activity in amounts due to TCI consists of the following:

JANUARY 1, 1998 YEARS ENDED THROUGH DECEMBER 31, SEPTEMBER 30, - -----	----- 1998	1997	1996	-----
----- (AMOUNTS IN THOUSANDS)				
----- Beginning of				
period.....	\$224,668	\$258,193	\$211,351	Transfer of
price.....				cable system acquisition purchase
7,023 --		68,240		Programming
charges.....			21,479	
25,500 20,248				Administrative
fees.....			2,853	
5,034 5,768				Intercompany interest
expense.....			4,343 5,832 4,701	
Tax				
allocations.....				
1,825 1,487 1,620				Distribution to
TCI.....			429,739 --	
-- Cash				
transfer.....				
(49,702) (71,378) (53,735)				-----
----- End of				
period.....				
\$642,228 \$224,668 \$258,193			=====	
=====				

(6) COMMITMENTS AND CONTINGENCIES

The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") imposed certain rate regulations on the cable television industry. Under the 1992 Cable Act, all cable systems are subject to rate regulation, unless they face "effective competition," as defined by the 1992 Cable Act and expanded in the Telecommunications Act of 1996 (the "1996 Act"), in their local franchise area.

Although the Federal Communications Commission (the "FCC") has established regulations required by the 1992 Cable Act, local government units (commonly referred to as local franchising authorities) are primarily responsible for administering the regulation of a cable system's basic service tier ("BST"). The FCC itself directly administered rate regulation of any cable programming service tier ("CPST"). The FCC's authority to regulate CPST rates expired on March 31, 1999. The FCC has taken the position that it will still adjudicate CPST complaints filed after this sunset date (but no later than 180 days after the last CPST rate increase imposed prior to March 31, 1999), and will strictly limit its review (and possible refund orders) to the time period predating the sunset date.

Under the FCC's rate regulations, most cable systems were required to reduce their BST and CPST rates in 1993 and 1994, and have since had their rate increases governed by a complicated price structure that allows for the recovery of inflation and certain increased costs, as well as providing some incentive for expanding channel carriage. Operators also have the opportunity to bypass this "benchmark" regulatory structure in favor of the traditional "cost-of-service" regulation in cases where the latter methodology appears favorable. Premium cable services offered on a per-channel or per-program basis remain unregulated, as do affirmatively marketed packages consisting entirely of new programming product.

The management of the TCI Falcon Systems believes that it has complied in all material respects with the provisions of the 1992 Cable Act and the 1996 Act, including its rate setting provisions. If, as a result of the review process, a system cannot substantiate its rates, it could be required to retroactively reduce its rates to the appropriate benchmark and refund the excess portion of rates received. Any refunds of the excess portion of CPST rates would be retroactive to the date of complaint. Any refunds of the excess portion of BST or equipment rates would be retroactive to one year prior to the implementation of the rate reductions.

TCI FALCON SYSTEMS  
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Certain plaintiffs have filed or threatened separate class action complaints against certain of the systems of TCI Falcon Systems, alleging that the systems' practice of assessing an administrative fee to customers whose payments are delinquent constitutes an invalid liquidated damage provision, a breach of contract, and violates local consumer protection statutes. Plaintiffs seek recovery of all late fees paid to the subject systems as a class purporting to consist of all customers who were assessed such fees during the applicable limitation period, plus attorney fees and costs.

The TCI Falcon Systems have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. Although it is possible the TCI Falcon Systems may incur losses upon conclusion of the matters referred to above, an estimate of any loss or range of loss cannot presently be made. Based upon the facts available, management believes that, although no assurance can be given as to the outcome of these actions, the ultimate disposition should not have a material adverse effect upon the combined financial condition of the TCI Falcon Systems.

The TCI Falcon Systems lease business offices, have entered into pole rental agreements and use certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$1,268,000, \$1,868,000 and \$1,370,000 for the nine-month period ended September 30, 1998, and the years ended December 31, 1997 and 1996, respectively.

Future minimum lease payments under noncancellable operating leases for each of the next five years are summarized as follows (amounts in thousands):

YEARS ENDING SEPTEMBER 30, - -----	
1999.....	\$ 762
2000.....	667
2001.....	533
2002.....	469
2003.....	414
Thereafter.....	2,768 ----- \$5,613 =====

TCI formed a year 2000 Program Management Office (the "PMO") to organize and manage its year 2000 remediation efforts. The PMO is responsible for overseeing, coordinating and reporting on TCI's year 2000 remediation efforts, including the year 2000 remediation efforts of the TCI Falcon Systems prior to the Contribution. Subsequent to the date of the Contribution, the year 2000 remediation efforts of the TCI Falcon Systems are no longer the responsibility of TCI or the PMO.

The failure to correct a material year 2000 problem could result in an interruption or failure of certain important business operations. There can be no assurance that the TCI Falcon Systems or the systems of other companies on which the TCI Falcon Systems relies will be converted in time or that any such failure to convert by the TCI Falcon Systems or other companies will not have a material adverse effect on its financial position, results of operations or cash flows.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO CC V HOLDINGS, LLC:

We have audited the accompanying consolidated balance sheet of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and the related consolidated statements of operations and cash flows for the period from November 15, 1999, through December 31, 1999, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the period from January 1, 1999, through November 14, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and the results of their operations and their cash flows for the period from November 15, 1999, through December 31, 1999, and for the period from January 1, 1999, through November 14, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, substantially all of CC V Holdings, LLC was acquired by Charter Communications Holding Company, LLC as of November 15, 1999, in a business combination accounted for as a purchase. As a result of the application of purchase accounting, the consolidated financial statements of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and for the Successor Period (November 15, 1999, through December 31, 1999), are presented on a different cost basis than financial statements presented for the Predecessor Period (January 1, 1999, through November 14, 1999), and accordingly, are not directly comparable.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 16, 2000

CC V HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

SUCCESSOR -----	DECEMBER 31, 1999 -----
ASSETS	
CURRENT ASSETS: Cash and cash	
equivalents.....	\$ 6,806
Accounts receivable, net of allowance for doubtful	
accounts of \$1,143.....	
1,920 Prepaid expenses and	
other.....	663 -----
Total	
current assets.....	9,389 ---
-----	INVESTMENT IN CABLE PROPERTIES: Property, plant and
equipment.....	121,285
Franchises.....	
721,744 -----	Total investment in cable
properties.....	843,029 -----
DEFERRED	
FINANCING COSTS.....	1,983
-----	\$854,401 =====
LIABILITIES AND MEMBER'S	
EQUITY CURRENT LIABILITIES: Accounts payable and accrued	
expenses.....	\$ 25,132
Payables to	
manager of cable systems--related parties.....	4,971 ----
-----	Total current
liabilities.....	30,103 -----
LONG-TERM	
DEBT.....	
451,212 DEFERRED MANAGEMENT FEES--RELATED	
PARTIES.....	262
MEMBER'S EQUITY--100 units	
issued and outstanding.....	372,824 -----
-----	\$854,401 =====

The accompanying notes are an integral part of this consolidated statement.



CC V HOLDINGS, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (DOLLARS IN THOUSANDS)

SUCCESSOR	PREDECESSOR	PERIOD
FROM	FROM	FROM
THROUGH	THROUGH	THROUGH
DECEMBER 31,	NOVEMBER 14,	NOVEMBER 15,
1999	1999	JANUARY 1, 1999,
-----	-----	-----
	REVENUES: Basic	
services.....	\$	
	11,281	\$ 76,721
services.....		Premium
	7,088	1,008
Other.....		
1,641	10,574	13,930
		94,383
	OPERATING EXPENSES:	
Programming.....		
	3,597	24,927
administrative.....		General and
	10,968	1,991
Service.....		
	2,377	16,311
Marketing.....		
	316	883
amortization.....		Depreciation and
	7,822	39,943
		Corporate expense charges--related
parties.....	501	-
16,604	93,032	-
operations.....		(Loss) income from
	(2,674)	1,351
	OTHER INCOME (EXPENSE): Interest	
income.....		Interest
	764	
expense.....		(7,537)
(40,162)	-	(7,537)
		(39,398)
	Loss before income	
taxes.....		(10,211)
		(38,047)
	BENEFIT FROM INCOME	
TAXES.....		(13,936)
	Loss before minority	
interest.....		(10,211)
		(24,111)
	MINORITY INTEREST IN LOSS OF	
SUBSIDIARY.....		4,499
	Net	
loss.....		
	\$(10,211)	\$(19,612)
	=====	=====

The accompanying notes are an integral part of these consolidated statements.

## CC V HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(DOLLARS IN THOUSANDS)

ADDITIONAL TOTAL COMMON PAID-IN ACCUMULATED SHAREHOLDERS' STOCK CAPITAL DEFICIT EQUITY --	
-----	
	BALANCE, January 1,
1999.....	\$ -- \$35,000
	\$ (8,918) \$ 26,082 Net
loss.....	.....
-- --	(19,612) (19,612) -----
	----- BALANCE, November 14,
1999.....	\$ -- \$35,000
	\$(28,530) \$ 6,470 =====
	=====

The accompanying notes are an integral part of this consolidated statement.

F-364

CC V HOLDINGS, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (DOLLARS IN THOUSANDS)

SUCCESSOR PREDECESSOR	-----	PERIOD	-----	-----
FROM PERIOD FROM NOVEMBER 15, JANUARY 1, 1999, 1999,				
THROUGH THROUGH DECEMBER 31, NOVEMBER 14, 1999 1999				-----
				CASH FLOWS FROM OPERATING
				ACTIVITIES: Net
loss.....				
\$(10,211) \$(19,612) Adjustments to reconcile net loss to				
net cash provided by operating activities-- Depreciation				
and amortization.....	7,822	39,943		
Deferred income taxes.....				
- (16,969) Minority interest in loss of				
subsidiary.....	4,499	Noncash interest		
expense.....	1,855	11,764	Net	
change in certain assets and liabilities, net of effects				
from acquisitions-- Accounts				
receivable.....	782	(1,182)		
Prepaid expenses and other.....	76			
(409) Receivable from				
affiliate.....	124	Accounts		
payable and accrued expenses.....	(3,399)			
15,285 Payables to manager of cable systems--related				
parties.....				
4,971 - - Payable to				
affiliate.....	(2,206)			
Other operating activities.....				
(469) (2,905) ----- - ----- Net cash provided by				
operating activities.....	1,427	28,332	-----	
- ----- CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to property, plant and				
equipment.....	(2,042)	(13,683)	Payments for	
acquisitions, net of cash acquired.....				
Other investing				
activities.....	(11,414)	--		
----- - ----- Net cash used in investing				
activities.....	(2,042)	(72,334)	-----	
----- CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings				
of long-term debt.....	5,000			
39,428 Repayments of long-term				
debt.....	(20)	Payment of		
deferred financing costs.....	(2,000)	--		
Distributions.....				
(273) - - ----- Net cash provided by				
financing activities.....	2,727	39,408	-----	
- ----- NET INCREASE (DECREASE) IN CASH AND CASH				
EQUIVALENTS.....	2,112	(4,594)	-----	
CASH AND CASH EQUIVALENTS, beginning of				
period.....	4,694	9,288	-----	
CASH AND CASH EQUIVALENTS, end of period.....	\$			
6,806 \$ 4,694 =====				
INTEREST.....	\$ 2,551	\$		
30,429 =====				
TAXES.....	\$ --	\$ 283		
=====				
NONCASH TRANSACTION--Increase in				
franchises and member's equity resulting from the				
application of purchase				
accounting.....				
\$383,308 \$ - - =====				

The accompanying notes are an integral part of these consolidated statements.

## CC V HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CC V Holdings, LLC (CC V Holdings), (formerly known as Avalon Cable LLC (Avalon Cable)), and its wholly owned subsidiaries (collectively, the "Company"). CC V Holdings is a Delaware limited liability company. The Company derives its primary source of revenues by providing various levels of cable programming and services to residential and business customers. The Company operates primarily in the state of Michigan and in the New England area. The Company also owns and operates various Internet service providers, which provide dial-up telephone access to the Internet via a modem.

All significant intercompany accounts and transactions have been eliminated in consolidation.

## Acquisition

On November 15, 1999, Charter Communications Holding Company, LLC (Charter Holdco) purchased directly and indirectly all of the equity interests of Avalon Cable of Michigan Holdings, Inc. (Avalon Michigan Holdings) for an aggregate purchase price of \$832,000, including assumed debt of \$273,400 (the "Charter Acquisition"). In connection with a multistep restructuring following the acquisition of Avalon Michigan Holdings, Avalon Michigan Holdings was merged with and into CC V Holdings. Effective January 1, 2000, these interests acquired were transferred to Charter Communications Holdings, LLC, a wholly owned subsidiary of Charter Holdco.

As a result of the Charter Acquisition, the Company has applied purchase accounting in the preparation of the accompanying consolidated financial statements. Accordingly, CC V Holdings' increased its member's equity to \$383,308 to reflect the amount paid in the Charter Acquisition and has allocated that amount to assets acquired and liabilities assumed based on their relative fair values including amounts assigned to franchises of \$727,720. The allocation of the purchase price is based, in part, on preliminary information, which is subject to adjustment upon completion of certain appraisal and valuation information. Management believes that finalization of the purchase price and allocation will not have a material impact on the consolidated results of operations or financial position of the Company.

As a result of the Charter Acquisition and the application of purchase accounting, financial information in the accompanying consolidated financial statements and notes thereto as of December 31, 1999, and for the period from November 15, 1999, through December 31, 1999 (the "Successor Period") are presented on a different cost basis than the financial information for the period from January 1, 1999, through November 14, 1999, (the "Predecessor Period") and therefore, such information is not comparable.

Prior to the Charter Acquisition, Avalon Michigan Holdings had a majority interest in CC V Holdings.

## Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost that approximates market value.

## Property, Plant and Equipment

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installations. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, while equipment replacement and betterments are capitalized.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation for the Successor Period is provided on the straight-line method over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

Depreciation for the Predecessor Period was provided on the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvement.....	10-25 years
Cable plant and equipment.....	5-12 years
Vehicles.....	5 years
Office furniture and equipment.....	5-10 years

## Franchises

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable systems, including the Charter Acquisition, represent the excess of the cost of properties acquired over the amounts assigned to net tangible assets and identifiable intangible assets at the date of acquisition and are amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company. Accumulated amortization was \$5,976 at December 31, 1999. Amortization expense for the period from January 1, 1999 through November 14, 1999 and for the period from November 15, 1999, through December 31, 1999, was \$29,679 and \$5,976, respectively.

## Deferred Financing Costs

Costs related to the Senior Credit Facilities (as defined below) are deferred and amortized to interest expense using the effective interest rate method over the term of the related borrowing. As of December 31, 1999, accumulated amortization of deferred financing costs is \$17.

## Impairment of Assets

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

## Revenues

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable system. As of December 31, 1999, no installation revenue has been deferred, as direct selling costs have exceeded installation revenue.

Fees collected from programmers to guarantee carriage are deferred and amortized to income over the life of the contracts. Local governmental authorities impose franchise fees on the Company ranging up to a

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

federally mandated maximum of 5.0% of gross revenues. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to local franchises. Franchise fees collected and paid are reported as revenues and expenses.

#### Interest Rate Hedge Agreements

The Company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain of its debt agreements. Interest rate caps are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

Interest rate caps are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes.

#### Income Taxes

Prior to the Charter Acquisition, the Company filed a consolidated income tax return. The tax benefit of \$13,936 in the accompanying consolidated statement of operations for the period from January 1, 1999, through November 14, 1999, is recorded at 37%. This approximates the statutory tax rate of the Company.

Beginning November 15, 1999, the Company and all subsidiaries are limited liability companies such that all income taxes are the responsibility of the equity member of the Company and are not provided for in the accompanying consolidated financial statements. In addition, certain subsidiaries or corporations are subject to income taxes but have no operations and, therefore, no material income tax liabilities or assets.

#### Segments

Segments have been identified based upon management responsibility. The Company operates in one segment, cable services.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Concentration of Credit Risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1999. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in Michigan

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

## 2. MEMBER'S EQUITY:

For the period from November 15, 1999, through December 31, 1999, successor member's equity consisted of the following:

BALANCE, November 15, 1999.....	\$383,308
Net loss.....	(10,211)
Distributions to Charter Communications, Inc. and Charter Investment, Inc.....	(273)
	-----
BALANCE, December 31, 1999.....	\$372,824
	=====

## 3. ACQUISITIONS:

On March 26, 1999, Avalon Michigan Holdings acquired the minority interest of Mercom Inc. (Mercom) for \$21,875. In addition, the Company acquired eight cable systems for an aggregate purchase price of \$25,362 in 1999. These eight acquisitions, which were completed during the Predecessor Period, were accounted for using the purchase method of accounting and, accordingly, results of operations of the acquired systems have been included in the accompanying consolidated financial statements from the dates of acquisition. The purchase prices were allocated to tangible and intangible assets based on estimated fair market values at the dates of acquisition. The excess of the consideration paid over the estimated fair market values of the net assets acquired was \$12,940 and was amortized using the straight-line method over 15 years during the Predecessor Period. All goodwill was eliminated as a result of the Charter Acquisition.

Unaudited pro forma operating results as though the 1999 acquisitions discussed above, including the Charter Acquisition, had occurred on January 1, 1999, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows:

YEAR ENDED DECEMBER 31, 1999 ----- (UNAUDITED)	
Revenues.....	\$110,308
operations.....	Loss from
	Net
loss.....	(17,580)
	(59,668)

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1999:

Cable distribution systems.....	\$101,675
Buildings and leasehold improvements.....	16,636
Vehicles and equipment.....	4,776
	-----
	123,087
Less--Accumulated depreciation.....	(1,802)
	-----
	\$121,285
	=====

Depreciation expense for assets owned by the Company for the period from January 1, 1999, through November 14, 1999, and for the period from November 15, 1999, through December 31, 1999, was \$10,264 and \$1,802, respectively.

## 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1999:

Accrued litigation costs--see Note 10.....	\$ 9,435
Accrued interest.....	5,417
Accounts payable.....	3,427
Accrued programming.....	3,047
Accrued franchises.....	1,578
Other.....	2,228
	-----
	\$25,132
	=====

## 6. LONG-TERM DEBT:

The Company has outstanding the following borrowings on long-term debt arrangements at December 31, 1999:

Senior Credit Facility.....	\$170,000
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	196,000
7.0% Note Payable, due May 2003.....	500
	-----
	516,500
Less--Unamortized net discount.....	(65,288)
	-----
	\$451,212
	=====

## Credit Facilities

On November 6, 1998, Avalon Michigan became a co-borrower along with Avalon Cable of New England LLC (Avalon New England) and Avalon Cable Finance, Inc. (Avalon Finance), affiliated companies on the \$320,888 senior credit facilities, which included term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000 and a revolving credit facility of \$30,000 (collectively, the "Old Credit Facilities").

In connection with the Senior Subordinated Notes (as defined below) and Senior Discount Notes (as defined below) offerings, Avalon Michigan repaid \$125,013 of the Old Credit Facilities, and the availability under the Old Credit Facilities was reduced to \$195,875 prior to the Charter Acquisition.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The interest rate under the Old Credit Facilities was a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, an applicable margin.

In connection with the Charter Acquisition, the Old Credit Facilities were terminated.

Effective November 15, 1999, the Company became a borrower on \$300,000 senior credit facilities, which includes term loan facilities consisting of (i) a Term B Loan of \$125,000 that matures on November 15, 2008, and (ii) a revolving credit facility of \$175,000 that matures on May 15, 2008 (collectively, the "Senior Credit Facilities"). The Senior Credit Facilities also provide for, at the option of the lenders, supplemental credit facilities in the amounts of \$75,000, available until December 31, 2003.

The interest rate under the Senior Credit Facilities is a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, an applicable margin. The variable interest rate as of December 31, 1999, ranged from 7.995% to 8.870%. A quarterly commitment fee of between 0.250% to 0.375% per annum is payable on the unborrowed balance of the revolving credit facility.

Commencing March 31, 2003, and at the end of each quarter thereafter through September 30, 2008, the Term B Loan is payable in installments of 0.25% of the outstanding balance, and the remaining 94.25% unpaid outstanding balance is due on November 15, 2008. Commencing March 31, 2003, and at the end of each quarter thereafter, available borrowings under the revolving credit facility shall be reduced on an annual basis by 5.0% in 2003, 15.0% in 2004, 20.0% in 2005, 22.0% in 2006, 24.0% in 2007 and 14.0% in 2008.

The Senior Credit Facilities contain restrictive covenants which, among other things, require the Company to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage.

The obligations of the Company under the Senior Credit Facilities agreement are secured by substantially all of the assets of the Company.

#### Senior Subordinated Notes

In December 1998, Avalon Michigan became a co-issuer of a \$150,000 principal amount of 9.375% Senior Subordinated Notes (the "Senior Subordinated Notes").

The indenture governing the Senior Subordinated Notes provides that upon the occurrence of a change of control each holder of the Senior Subordinated Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Senior Subordinated Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the indentures) thereof, if any, to the date of purchase. The Charter Acquisition constituted a change of control.

Pursuant to a change of control offer dated December 3, 1999, 134,050 of the Company's 9.375% Senior Subordinated Notes due December 1, 2008 were validly tendered.

The aggregate repurchase price was \$137,400, including accrued and unpaid interest through January 28, 2000, and was funded with equity contributions from Charter Communications Holdings, LLC (Charter Holdings), a wholly owned subsidiary of Charter Holdco and parent of CC V Holdings, which made the cash available from the proceeds of its sale of \$1.5 billion of high yield notes in January 2000 (the "January 2000 Charter Holdings Notes").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In addition to the above change of control repurchase, the Company repurchased the remaining 15,950 notes (including accrued and unpaid interest) in the open market for \$16,300, also using cash received from equity contributions ultimately from Charter Holdings, which made the cash available from the sale proceeds of the January 2000 Charter Holdings Notes.

## Senior Discount Notes

On December 10, 1998, Avalon Michigan Holdings and Avalon Cable Holdings Finance, Inc. (collectively, the "Holdings Co-Issuers") issued \$196,000 aggregate principal amount at maturity of 11.875% Senior Discount Notes (the "Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, for proceeds of approximately \$110,400. Interest on the Senior Discount Notes will accrue but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum commencing December 1, 2003, and will be payable semiannually in arrears on June 1 and December 1 of each year. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003, on a semiannual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003.

On December 1, 2003, the Holdings Co-Issuers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity.

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holdings Co-Issuers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment.

Upon the occurrence of a change of control, each holder of Senior Discount Notes will have the right to require the Holdings Co-Issuers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a change of control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase. The Charter Acquisition constituted a change of control.

Upon expiration of the change of control offer (January 26, 2000), 16,250 of the Senior Discount Notes due were validly tendered.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Senior Discount Notes were repurchased for \$10,500 using cash received from equity contributions from Charter Holdings. As of February 29, 2000, 179,750 Senior Discount Notes remain outstanding with an accreted value of \$116,400.

Based upon outstanding indebtedness at December 31, 1999, and the amortization of term, and scheduled reductions in available borrowings of the revolving credit facility, aggregate future principal payments on the total borrowings under all debt agreements at December 31, 1999, are as follows:

YEAR	AMOUNT
2000.....	\$ --
2001.....	--
2002.....	--
2003.....	74,229
2004.....	1,250
Thereafter.....	441,021 ----- \$516,500 =====

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying and fair values of the Company's significant financial instruments as of December 31, 1999, are as follows:

CARRYING	NOTIONAL	FAIR VALUE	AMOUNT	VALUE
----- - ----				
---- Debt: Senior Credit				
Facilities.....			\$170,000	\$ -
- \$170,000 Senior Subordinated				
Notes.....		151,500	--	151,500
Senior Discount				
Notes.....		129,212	--	
129,212 7.0% Note payable, due May				
2003.....		500	--	500
Interest Rate				
Hedge Agreement:				
Cap.....			--	15,000
16				

The carrying amount of the Senior Credit Facilities approximates fair value as the outstanding borrowings bear interest at market rates. The fair values of the Senior Subordinated Notes and Senior Discount Notes are based on quoted market prices.

The interest pay rate for the interest rate cap agreement was 9.0% at December 31, 1999.

The notional amount of the interest rate hedge agreement does not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of the interest rate hedge agreement. The amounts exchanged are determined by reference to the notional amount and the other terms of the contract.

The fair value of the interest rate hedge agreement generally reflects the estimated amount that the Company would receive (excluding accrued interest) to terminate the contract on the reporting date, thereby taking into account the current unrealized gains or losses of the open contract. Dealer quotations are available for the Company's interest rate hedge agreement.

Management believes that the seller of the interest rate hedge agreement will be able to meet their obligations under the agreement. In addition, the interest rate hedge agreement is with certain of the participating banks under the Company's Senior Credit Facilities thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of the major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial position or results of operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 8. RELATED-PARTY TRANSACTIONS:

Charter Investment, Inc. (Charter Investment) provides management services to the Company including centralized customer billing services, and data processing and related support. Costs for these services are charged directly to the Company's operating subsidiaries and are included in operating costs. These billings are determined based on the number of basic customers. Charter Investment utilizes a combination of excess insurance coverage and self-insurance programs for its medical, dental and workers' compensation claims. Charges are made to the Company as determined by independent actuaries at the present value of the actuarially computed present and future liabilities for such benefits. Depreciation and amortization incurred by Charter Investment and Charter have been allocated to the Company based on the number of the basic customers. Such costs totaled \$44 for the period from November 15, 1999, through December 31, 1999, are reflected as a capital contribution. Management believes that costs incurred by Charter Investment on the Company's behalf and included in the accompanying financial statements are not materially different than costs the Company would have incurred as a stand-alone entity.

Charter, an entity controlled by Paul G. Allen, was named manager of CC V Holdings pursuant to the terms of the limited liability company agreement for CC V Holdings dated as of November 15, 1999. Furthermore, Charter now manages and operates the Company's cable systems pursuant to a Management Agreement entered into with certain subsidiaries of CC V Holdings. The term of the management agreement is 10 years, commencing on November 15, 1999. Charter is entitled to reimbursement for all expenses, costs, losses and liabilities or damages incurred by Charter in connection with the performance of its services. Payment of the management fee is permitted under the Company's credit agreement, but ranks below the Company's senior debt and shall not be paid except to the extent permitted under the Senior Credit Facilities. Such costs totaled \$501 for the period from November 15, 1999, through December 31, 1999, and are recorded in corporate expense charges-related parties in the accompanying consolidated financial statements. Deferred management fees at December 31, 1999, are \$262.

## 9. EMPLOYEE BENEFIT PLAN:

Avalon Michigan had a qualified savings plan under Section 401(k) of the Internal Revenue Code (the "Plan"). In connection with the Charter Acquisition, the Plan's assets were frozen as of November 14, 1999, and employees became fully vested. Effective January 1, 2000, the Company's employees with two months of service are eligible to participate in the Charter Communications, Inc. 401(k) Plan (the "Charter Plan"). Employees that qualify for participation in the Charter Plan can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service.

## 10. COMMITMENTS AND CONTINGENCIES:

## Leases

The Company rents poles from utility companies for use in its operations. While rental agreements are generally short-term, the Company anticipates such rentals will continue in the future. The Company also leases office facilities and various equipment under month-to-month operating leases. Rent expense was \$1,506 and \$212 for the periods from January 1, 1999, through November 14, 1999, and from November 15, 1999, through December 31, 1999, respectively. Rental commitments are expected to continue at approximately the same level for the foreseeable future, including pole rental commitments which are cancelable.

## Regulation in the Cable Television Industry

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 31, 1999, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. As of December 31, 1999, approximately 26% of the Company's local franchising authorities are certified to regulate basic tier rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the consolidated financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Company does not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Company's consolidated financial position or results of operations.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

#### Litigation

In connection with the Company's acquisition of Mercom, former Mercom shareholders holding approximately 731,894 Mercom common shares (approximately 15.3% of all outstanding Mercom common shares) gave notice of their election to exercise appraisal rights as provided by Delaware law. On July 2, 1999, former Mercom shareholders holding 535,501 shares of Mercom common stock filed a petition for appraisal of stock in the Delaware Chancery Court. With respect to 209,893 of the total number of shares for which the Company received notice, the notice provided to the Company was received from beneficial holders of Mercom shares who were not holders of record. The Company believes that the notice with respect to these shares did not comply with Delaware law and is ineffective.

The Company cannot predict at this time the effect of the elections to exercise appraisal rights on the Company since the Company does not know the extent to which these former Mercom shareholders will

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

continue to pursue appraisal rights under Delaware law or choose to abandon these efforts and seek to accept the consideration payable in the Mercom merger. If these former Mercom shareholders continue to pursue their appraisal rights and if a Delaware court were to find that the fair value of the Mercom common shares, exclusive of any element of value arising from our acquisition of Mercom, exceeded \$12.00 per share, the Company would have to pay the additional amount for each Mercom common share subject to the appraisal proceedings together with a fair rate of interest. The Company could be ordered by the Delaware court also to pay reasonable attorney's fees and the fees and expenses of experts for the shareholders. In addition, the Company would have to pay their own litigation costs. The Company has already provided for the consideration of \$12.00 per Mercom common share due under the terms of the merger with Mercom with respect to these shares but has not provided for any additional amounts or costs. The Company can provide no assurance as to what a Delaware court would find in any appraisal proceeding or when this matter will be resolved. Accordingly, the Company cannot assure you that the ultimate outcome would have no material adverse impact on the Company.

## 11. ACCOUNTING STANDARDS NOT YET IMPLEMENTED:

The Company is required to adopt Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) in 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the consolidated balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The adoption of SFAS No. 133 is not expected to have a material impact on the consolidated financial statements.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers  
of Avalon Cable LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in members' interest and cash flows present fairly, in all material respects, the financial position of Avalon Cable LLC and its subsidiaries (the "Company") at December 31, 1997 and 1998 and the results of their operations, changes in members' interest and their cash flows for the period from September 4, 1997 (inception), through December 31, 1997 and for the year ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
March 30, 1999, except for Note 12,  
as to which the date is May 13, 1999

F-377

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, - ----- 1998 1997 -----

- ----- (DOLLARS IN THOUSANDS) ASSETS CURRENT ASSETS:

Cash.....	\$ 9,288	\$ -	- -	Subscriber receivables, less allowance for doubtful accounts of		
\$943.....		5,862	- -	Accounts receivable-		
affiliate.....		124	- -	Deferred		
income taxes.....		479	- -			
- Prepaid expenses and other current						
assets.....	580	504	-----	-	-----	Total
current assets.....						
16,333 504 Property, plant and equipment,						
net.....		111,421	- -	Intangible		
assets, net.....		462,117	-			
-- Other						
assets.....					227	
- - - - - Total						
assets.....						
\$590,098 \$504 =====						LIABILITIES AND MEMBERS'
INTEREST CURRENT LIABILITIES: Current portion of notes						
payable.....	\$ 20	\$ -	- -	Accounts		
payable and accrued expenses.....		11,646				
- - - Accounts payable, net-						
affiliate.....		2,023	500	Advance		
billings and customer deposits.....		3,171				
- - - - - Total current						
liabilities.....		16,860	500			
Note payable, net of current						
portion.....	402,949	- -	Note payable-			
affiliate.....		3,341	- -			
Deferred income						
taxes.....		1,841	- - - - -			
- - - - - Total						
liabilities.....						
424,991 500 -----						Minority
interest.....					13,855	
- - - Commitments and contingencies (Note 10) MEMBERS'						
INTEREST: Members'						
capital.....		166,630				
- - - Accumulated earnings						
(deficit).....		(15,378)	4	-----		
- - - - - Total member's						
interest.....		151,252	4	---		
- - - - - Total liabilities and member's						
interest.....	\$590,098	\$504	=====	=====		

The accompanying notes are an integral part of these consolidated financial statements.



## AVALON CABLE LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE PERIOD FROM FOR THE YEAR SEPTEMBER 4, 1997 ENDED  
(INCEPTION) THROUGH DECEMBER 31, 1998 DECEMBER 31, 1997 --  
----- (DOLLARS IN THOUSANDS)

	REVENUE: Basic	
services.....	\$	
	14,976	\$ -- Premium
services.....		1,468
	--	
Other.....		
	1,743	-- ----- Total
revenues.....		
	18,187	-- Operating expenses: Selling, general and
		administrative..... 4,207 --
Programming.....		
	4,564	-- Technical and
operations.....		1,951 --
		Depreciation and
amortization.....		8,183 -- -----
	--	----- Loss from
operations.....		(718) --
		Other income (expense): Interest
income.....		173 4
		Interest
expense.....		(8,223)
	--	Other expense,
net.....		(65) -- -----
	--	----- Income (loss) before income
taxes.....		(8,833) 4 Provision for
income taxes.....		(186) -- ---
	-----	----- Income (loss) before minority interest and
		extraordinary
item.....		
	(9,019) 4	Minority interest in consolidated
entity.....		(398) -- ----- Income
		(loss) before the extraordinary loss on early
extinguishment of debt.....		
	(9,417) 4	Extraordinary loss on early extinguishment of
debt.....		(5,965) -- ----- Net income
(loss).....		\$(15,382)
	\$ 4	=====

The accompanying notes are an integral part of these consolidated financial  
statements.



## AVALON CABLE LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD SEPTEMBER 4, 1997 FOR THE YEAR  
(INCEPTION) ENDED THROUGH DECEMBER 31, 1998  
DECEMBER 31, 1997 -----  
---- (DOLLARS IN THOUSANDS) CASH FLOWS FROM  
OPERATING ACTIVITIES: Net income  
(loss)..... \$  
(15,382) \$ 4 Adjustments to reconcile net income  
to net cash provided by operating activities  
Depreciation and  
amortization..... 8,183 -  
- Deferred income taxes,  
net..... 1,010 --  
Extraordinary loss on extinguishment of  
debt..... 5,965 -- Provision for loss on  
accounts receivable..... 75 --  
Minority interest in consolidated  
entity..... 398 -- Accretion of  
senior discount notes.....  
1,083 -- Changes in operating assets and  
liabilities Increase in subscriber  
receivables.....  
(1,679) -- Increase in accounts receivable-  
affiliates..... (124) -- Increase in  
prepaid expenses and other current assets.....  
(76) (4) Increase in accounts payable and accrued  
expenses..... 4,863 -- Increase in accounts  
payable-affiliates..... 1,523 --  
Increase in advance billings and customer  
deposits..... 1,684 -- Change in Other,  
net..... (227) -  
- ----- Net cash provided by operating  
activities..... 7,296 -- -----  
- CASH FLOWS FROM INVESTING ACTIVITIES: Capital  
expenditures.....  
(11,468) -- Acquisitions, net of cash  
acquired..... (554,402) -- ---  
----- Net cash used in investing  
activities..... (565,870) -- ----  
----- CASH FLOWS FROM FINANCING ACTIVITIES:  
Proceeds from issuance of credit  
facility..... 265,888 -- Principal  
payment on credit facility.....  
(125,013) -- Proceeds from issuance of senior  
subordinated debt..... 150,000 -- Proceeds  
from issuance of note payable-affiliate.....  
3,341 -- Proceeds from issuance of senior discount  
notes..... 110,411 -- Proceeds from other  
notes payable..... 600 --  
Payments for debt issuance  
costs..... (3,995) --  
Contribution by  
members.....  
166,630 -- ----- Net cash provided by  
financing activities..... 567,862 --  
Increase in  
cash.....  
9,288 -- Cash, beginning of  
period.....  
----- Cash, end of  
period..... \$  
9,288 \$-- =====  
OF CASH FLOW INFORMATION: Cash paid during the  
period for interest..... \$ 3,480 \$--  
=====

The accompanying notes are an integral part of these consolidated financial statements.

## AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(DOLLARS IN THOUSANDS)

## 1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Avalon Cable LLC ("Avalon"), and its wholly owned subsidiaries Avalon Cable Holdings Finance, Inc. ("Avalon Holdings Finance") and Avalon Cable of Michigan LLC ("Avalon Michigan"), were formed in October 1998, pursuant to the laws of the State of Delaware, as a wholly owned subsidiary of Avalon Cable of New England Holdings, Inc. ("Avalon New England Holdings").

On November 6, 1998, Avalon New England Holdings contributed its 100% interest in Avalon Cable of New England LLC ("Avalon New England") to Avalon in exchange for a membership interest in Avalon. This contribution was between entities under common control and was accounted for similar to a pooling-of-interests. Under this pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (September 4, 1997) of Avalon New England. On that same date, Avalon received \$63,000 from affiliated entities, which was comprised of (i) a \$45,000 capital contribution by Avalon Investors, LLC ("Avalon Investors") and (ii) a \$18,000 promissory note from Avalon Cable Holdings LLC ("Avalon Holdings"), which was used to make a \$62,800 cash contribution to Avalon New England.

The cash contribution received by Avalon New England was used to (i) extinguish existing indebtedness of \$29,600 and (ii) fund a \$33,200 loan to Avalon Holdings Finance which matures on December 31, 2001.

On December 10, 1998, Avalon received a dividend distribution from Avalon New England in the amount of \$18,206, which was used by Avalon to pay off the promissory note payable to Avalon Holdings, plus accrued interest.

Avalon Cable of Michigan, Inc. was formed in June 1998, pursuant to the laws of the state of Delaware, as a wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc. ("Michigan Holdings".) On June 3, 1998, Avalon Cable of Michigan, Inc. entered into an Agreement and Plan of Merger (the "Agreement") among Avalon Cable of Michigan, Inc., Michigan Holdings and Cable Michigan, Inc. ("Cable Michigan"), pursuant to which Avalon Cable of Michigan, Inc. will merge into Cable Michigan and Cable Michigan will become a wholly owned subsidiary of Michigan Holdings (the "Merger"). As part of the Merger, the name of the company was changed to Avalon Cable of Michigan, Inc.

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of Cable Michigan outstanding prior to the effective time of the Merger (other than treasury stock shares owned by Michigan Holdings or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

In conjunction with the acquisition of Cable Michigan, Avalon Cable of Michigan, Inc. acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, Avalon Cable of Michigan, Inc. completed its Merger. The total consideration payable in conjunction with the Merger, including fees and expenses is \$431,629, including repayment of all existing Cable Michigan indebtedness and accrued interest of \$135,205. Subsequent to the Merger, the arrangements with RCN and CTE for certain support services were terminated. The Agreement also permitted Avalon Cable of Michigan, Inc. to agree to acquire the remaining shares of Mercom that it did not own.

Michigan Holdings contributed \$137,375 in cash to Avalon Cable of Michigan, Inc., which was used to consummate the Merger. On November 5, 1998, Michigan Holdings received \$105,000 in cash in exchange for promissory notes to lenders (the "Bridge Agreement"). On November 6, 1998, Michigan Holdings contributed the proceeds received from the Bridge Agreement and an additional \$35,000 in cash to Avalon Cable of Michigan Inc. in exchange for 100 shares of common stock.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On March 26, 1999, Avalon completed a series of transactions to facilitate certain aspects of its financing between affiliated entities under common control. As a result of these transactions:

- Avalon Cable of Michigan Inc. contributed its assets and liabilities excluding deferred tax liabilities, net to Avalon in exchange for an approximate 88% voting interest in Avalon. Avalon contributed these assets and liabilities to its wholly-owned subsidiary, Avalon Cable of Michigan.
- Avalon Michigan has become the operator of the Michigan cluster replacing Avalon Cable of Michigan, Inc.
- Avalon Michigan is an obligor on the Senior Subordinated Notes replacing Avalon Cable of Michigan, Inc., and
- Avalon Cable of Michigan, Inc. is a guarantor of the obligations of Avalon Michigan under the Senior Subordinated Notes. Avalon Cable of Michigan, Inc. does not have significant assets, other than its investment in Avalon.
- Avalon is an obligor on the Senior Discount Notes replacing Avalon Cable of Michigan Holdings, Inc.

As a result of the reorganization between entities under common control, Avalon accounted for the reorganization similar to a pooling-of-interests. Under the pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (June 2, 1998) inception of Avalon Cable of Michigan, Inc. and the date of acquisition of the completed acquisitions.

Avalon New England and Avalon Michigan provide cable service to the western New England area and the state of Michigan, respectively. Avalon cable systems offer customer packages of basic and premium cable programming services which are offered at a per channel charge or are packaged together to form a tier of services offered at a discount from the combined channel rate. Avalon cable systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principal sources of revenue for Avalon.

Avalon Holdings Finance was formed for the sole purpose of facilitating financings associated with the acquisitions of various cable operating companies. Avalon Holdings Finance conducts no other activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements of Avalon and its subsidiaries, include the accounts of Avalon and its wholly owned subsidiaries, Avalon New England, Avalon Michigan and Avalon Holdings Finance (collectively, the "Company"). All significant transactions between Avalon and its subsidiaries have been eliminated.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure for contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reported period. Actual results may vary from estimates used.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## Revenue recognition

Revenue is recognized as cable services are provided. Installation fee revenue is recognized in the period in which the installation occurs to the extent that direct selling costs meet or exceed installation revenues.

## Advertising costs

Advertising costs are charged to operations as incurred. Advertising costs were \$82 for the year ended December 31, 1998.

## Concentration of credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1998. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in the state of Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

## Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based upon the following lives:

Vehicles.....	5 years
Cable plant and equipment.....	5-12 years
Office furniture and equipment.....	5-10 years
Buildings and improvements.....	10-25 years

## Intangible assets

Intangible assets represent the estimated fair value of cable franchises and goodwill resulting from acquisitions. Goodwill is the excess of the purchase price over the fair value of the net assets acquired, determined through an independent appraisal. Deferred financing costs represent direct costs incurred to obtain long-term financing and are amortized to interest expense over the term of the underlying debt utilizing the effective interest method. Amortization is computed for financial statement purposes using the straight-line method based upon the anticipated economic lives:

Cable franchises.....	13-15 years
Goodwill.....	15 years
Non-compete agreement.....	5 years

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

## Financial instruments

The Company estimates that the fair value of all financial instruments at December 31, 1998 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The fair value of the notes payable-affiliate are considered to be equal to carrying values since the Company believes that its credit risk has not changed from the time this debt instrument was executed and therefore, would obtain a similar rate in the current market.

## Income taxes

The Company is not subject to federal and state income taxes since the income or loss of the Company is included in the tax returns of Avalon Cable of Michigan, Inc. and the Company's minority partners. However, Mercom, its majority-owned subsidiary is subject to taxes that are accounted for using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

## 3. MEMBERS' CAPITAL

Avalon has authorized two classes of equity units; class A units ("Class A Units") and class B units ("Class B Units") (collectively, the "Units"). Each class of the Units represents a fractional part of the membership interests in Avalon and has the rights and obligations specified in Avalon's Limited Liability Company Agreement. Each Class B Unit is entitled to voting rights equal to the percentage such units represents of the aggregate number of outstanding Class B Units. The Class A Units are not entitled to voting rights.

## Class A Units

The Class A Units are participating preferred equity interests. A preferred return accrues annually (the Company's "Preferred Return") on the initial purchase price (the Company's "Capital Value") of each Class A Unit at a rate of 15, or 17% under certain circumstances, per annum. The Company cannot pay distributions in respect of other classes of securities including distributions made in connection with a liquidation until the Company's Capital Value and accrued Preferred Return in respect of each Class A Unit is paid to the holders thereof (such distributions being the Company's "Priority Distributions"). So long as any portion of the Company's Priority Distributions remains unpaid, the holders of a majority of the Class A

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Units are entitled to block certain actions by the Company including the payment of certain distributions, the issuance of senior or certain types of pari passu equity securities or the entering into or amending of certain related-party agreements. In addition to the Company's Priority Distributions, each Class A Unit is also entitled to participate in common distributions, pro rata according to the percentage such unit represents of the aggregate number of the Company's units then outstanding.

## Class B Units

The Class B Units are junior equity securities which are divided into two identical subclasses, Class B-1 Units and Class B-2 Units. After the payment in full of Avalon's Priority Distributions, each Class B Unit is entitled to participate in distributions pro rata according to the percentage such unit represents of the aggregate number of the Avalon units then outstanding.

## 4. MERGER AND ACQUISITIONS

The Merger was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on their fair market values at the date of the Merger. The purchase price was allocated as follows: current assets and liabilities at fair values of \$470, approximately \$94,000 to property, plant and equipment, \$315,000 to cable franchises and the excess of consideration paid over the fair market value of the net assets acquired, or goodwill, of \$81,705, offset by deferred taxes net of \$60,000.

The Merger agreement between Michigan Holdings and Avalon Cable of Michigan, Inc. permitted Avalon Cable of Michigan, Inc. to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 Avalon Cable of Michigan, Inc. and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by Avalon Cable of Michigan, Inc. of all of such shares at a price of \$12.00 per share. Avalon Cable of Michigan, Inc. completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

In March 1999, Avalon Michigan acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

On May 29, 1998, the Company acquired certain assets of Amrac Clear View, A Limited Partnership ("Amrac") for consideration of \$8,124, including acquisition costs of \$589. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through the use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$256.

On July 21, 1998, the Company acquired certain assets and liabilities from Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc. (collectively, "Pegasus") for consideration of \$30,467, including acquisition costs of \$175. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$977.

Unaudited pro forma results of operations of the Company for the year ended December 31, 1998, as if the Merger and acquisitions occurred on January 1, 1998.



## AVALON CABLE LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

DECEMBER 31, 1998 ----- (UNAUDITED)

Revenues.....	
	\$ 96,751 =====
Loss from operations.....	\$
	(5,292) =====
Net loss.....	
	\$(22,365) =====

In September 1998, the Company entered into a definitive agreement to purchase all of the cable systems of Taconic Technology Corporation ("Taconic") for approximately \$8,525 (excluding transaction fees). As of December 31, 1998, the Company incurred \$41 of transaction costs related to the acquisition of Taconic. This merger is expected to close in the second quarter of 1999.

## 5. PROPERTY, PLANT AND EQUIPMENT

At December 31, 1998, property, plant and equipment consists of the following:

Cable plant and equipment.....	\$106,602
Vehicles.....	2,572
Office furniture and fixtures.....	1,026
Buildings and improvements.....	2,234
Construction in process.....	768
	-----
	113,202
Less: accumulated depreciation.....	(1,781)
	-----
	\$111,421
	=====

Depreciation expense charged to operations was \$1,781 for the year ended December 31, 1998.

## 6. INTANGIBLE ASSETS

At December 31, 1998, intangible assets consist of the following:

	1998 -----	Cable
franchises.....		
	\$374,773	
Goodwill.....		
	82,928	Deferred financing
costs.....	10,658	Non-
complete agreement.....		
	100 -----	468,459
Less: accumulated amortization.....	(6,342) -----	
	\$462,117	=====

Amortization expense was \$6,342 for the year ended December 31, 1998.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 1998, accounts payable and accrued expenses consist of the following:

Accounts payable.....	\$ 5,321
Accrued corporate expenses.....	404
Accrued programming costs.....	2,388
Taxes payable.....	1,383
Other.....	2,150
	-----
	\$11,646
	=====

## 8. DEBT

At December 31, 1998, Long-term debt consists of the following:

Senior Credit Facility.....	\$140,875
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	111,494
Other Note Payable.....	600
	-----
	402,969
Less: current portion of notes payable.....	20
	-----
	\$402,949
	=====

## Credit Facilities

On May 28, 1998, Avalon New England entered into a term loan and revolving credit agreement with a major commercial lending institution (the "Credit Agreement"). The Credit Agreement allowed for aggregate borrowings under Term Loans A and B (collectively, the "Term Loans") and a revolving credit facility of \$30,000 and \$5,000, respectively. The proceeds from the Term Loans and revolving credit facility were used to fund the acquisitions made by Avalon New England and to provide for Avalon New England's working capital requirements.

In December 1998, Avalon New England retired the Term Loans and revolving credit agreement through the proceeds of a capital contribution from Avalon. The fees and associated costs relating to the early retirement of this debt was \$1,110.

On November 6, 1998, Avalon New England became a co-borrower along with Avalon Michigan and Avalon Cable Finance, Inc. ("Avalon Finance"), affiliated companies (collectively referred to as the "Co-Borrowers"), on a \$320,888 senior credit facility, which includes term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000, and a revolving credit facility of \$30,000 (collectively, the "Credit Facility"). Subject to compliance with the terms of the Credit Facility, borrowings under the Credit Facility will be available for working capital purposes, capital expenditures and pending and future acquisitions. The ability to advance funds under the tranche A term loan facility terminated on March 31, 1999. The tranche A term loans are subject to minimum quarterly amortization payments commencing on January 31, 2001 and maturing on October 31, 2005. The tranche B term loans are subject to minimum quarterly payments commencing on January 31, 2001 with substantially all of tranche B term loans scheduled to be repaid in two equal installments on July 31, 2006 and October 31, 2006. The revolving credit facility borrowings are scheduled to be repaid on October 31, 2005.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On November 6, 1998, Avalon Michigan borrowed \$265,888 under the Credit Facility. In connection with the Senior Subordinated Notes and Senior Discount Notes offerings, Avalon Michigan repaid \$125,013 of the Credit Facility, and the availability under the Credit Facility was reduced to \$195,000. Avalon Michigan had borrowings of \$11,300 and \$129,575 outstanding under the tranche A and tranche B term note facilities, respectively, and had available \$30,000 for borrowings under the revolving credit facility. Avalon New England and Avalon Finance had no borrowings outstanding under the Credit Facility at December 31, 1998.

The interest rate under the Credit Facility is a rate based on either (i) the Base Rate (a rate per annum equal to the greater of the prime rate and the federal funds rate plus one-half of 1%) or (ii) the Eurodollar Rate (a rate per annum equal to the Eurodollar base rate divided by 1.00 less the Eurocurrency reserve requirement plus, in either case, the applicable margin). As of December 31, 1998, the applicable margin was (a) with respect to the tranche B term loans was 2.75% per annum for Base Rate loans and 3.75% per annum for Eurodollar loans and (b) with respect to tranche A term loans and the revolving credit facility was 2.00% per annum for Base Rate loans and 3.00% for Eurodollar loans. The applicable margin for the tranche A term loans and the revolving credit facility are subject to performance based grid pricing which is determined based upon the consolidated leverage ratio of the Co-Borrowers. The interest rate for the tranche A and tranche B term loans outstanding at December 31, 1998 was 8.58% and 9.33%, respectively. Interest is payable on a quarterly basis. Accrued interest on the borrowings incurred by Avalon Cable of Michigan Inc. under the credit facility was \$1,389 at December 31, 1998.

The Credit Facility contains restrictive covenants which among other things require the Co-Borrowers to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage ratio.

The obligations of the Co-Borrowers under the Credit Facility are secured by substantially all of the assets of the Co-Borrowers. In addition, the obligations of the Co-Borrowers under the Credit Facility are guaranteed by affiliated companies; Avalon Cable of Michigan Holdings, Inc., Avalon Cable Finance Holdings, Inc., Avalon New England Holdings, Inc., Avalon Cable Holdings, LLC and the Company.

A Change of Control as defined under the Credit Facility agreement would constitute an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable.

#### Subordinated Debt

In December 1998, Avalon New England and Avalon Michigan became co-issuers of a \$150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering. In conjunction with this financing, Avalon New England received \$18,130 from Avalon Michigan as a partial payment against the Company's note receivable-affiliate from Avalon Michigan. Avalon Michigan paid \$75 in interest during the period from October 21, 1998 (inception) through December 31, 1998. The cash proceeds received by Avalon New England of \$18,206 was paid to Avalon as a dividend.

The Subordinated Notes mature on December 1, 2008, and interest accrued at a rate of 9.375% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 1999. Accrued interest on the Subordinated Notes was \$1,078 at December 31, 1998.

The Senior Subordinated Notes will not be redeemable at the Co-Borrowers' option prior to December 1, 2003. Thereafter, the Senior Subordinated Notes will be subject to redemption at any time at the option of the Co-Borrowers, in whole or in part at the redemption prices (expressed as percentages of principal amount) set

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

forth below plus accrued and unpaid interest, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

	YEAR PERCENTAGE - ----
2003.....	104.688%
2004.....	103.125%
2005.....	101.563% 2006 and
thereafter.....	100.000%

The scheduled maturities of the long-term debt are \$2,000 in 2001, \$4,000 in 2002, \$7,000 in 2003, and the remainder thereafter.

At any time prior to December 1, 2001, the Co-Borrowers may on any one or more occasions redeem up to 35% of the aggregate principal amount of Senior Subordinate Notes originally issued under the Indenture at a redemption price equal to 109.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Subordinated Notes originally issued remain outstanding immediately after each such redemption.

As used in the preceding paragraph, "Equity Offering and Strategic Equity Investment" means any public or private sale of Capital Stock of any of the Co-Borrowers pursuant to which the Co-Borrowers together receive net proceeds of at least \$25 million, other than issuances of Capital Stock pursuant to employee benefit plans or as compensation to employees; provided that to the extent such Capital Stock is issued by the Co-Borrowers, the net cash proceeds thereof shall have been contributed to one or more of the Co-Borrowers in the form of an equity contribution.

The Indentures provide that upon the occurrence of a change of control (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the Indentures) thereof, if any, to the date of purchase.

#### The Senior Discount Notes

On December 3, 1998, the Company, Avalon Michigan and Avalon Cable Holdings Finance, Inc. (the "Holding Co-Borrowers") issued \$196.0 million aggregate principal amount at maturity of 117/8% Senior Discount Notes ("Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, to generate gross proceeds of approximately \$110.4 million. Interest on the Senior Discount Notes will accrue but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum, and will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2003. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003 on a semi-annual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003. Original issue discount accretion on the Senior Discount Notes was \$1,083 at December 31, 1998.

On December 1, 2003, the Holding Co-Borrowers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holding Co-borrowers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Discount Notes originally issued remain outstanding immediately after each occurrence of such redemption.

Upon the occurrence of a Change of Control, each holder of Senior Discount Notes will have the right to require the Holding Co-Borrowers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a Change of Control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase.

## Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

On September 29, 1997, Cable Michigan, Inc. purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables. At December 31, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

## Note payable

Avalon New England issued a note payable for \$500 which is due on May 29, 2003, and bears interest at a rate of 7% per annum (which approximates Avalon New England's incremental borrowing rate) payable annually. Additionally, Avalon New England has a \$100 non-compete agreement. The agreement calls for five annual payments of \$20, commencing on May 29, 1999.

## AVALON CABLE LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 9. INCOME TAXES

The income tax provision in the accompanying consolidated financial statements of operations relating to Mercom, Inc., a majority-owned subsidiary, is comprised of the following:

	1998	----	CURRENT	
Federal.....				
			\$ --	
State.....				
		--	----	Total
Current.....				-- -
			---	DEFERRED
Federal.....				
			171	
State.....				
		15	----	Total
Deferred.....				186
		----		Total provision for income
taxes.....				\$186 =====

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1998. The differences are as follows:

	1998	-----	Loss before provision for income	
taxes.....			\$(8,833)	===== Federal tax
provision at statutory rates.....			\$(3,092)	
				State income
taxes.....			(182)	
				Allocated to
members.....			3,082	
Goodwill.....				
		6	-----	Provision for income
taxes.....				\$ 186 =====

TAX NET OPERATING EXPIRATION YEAR LOSSES DATE - ---- -	
----- - -----	
1998.....	\$922 2018

Temporary differences that give rise to significant portion of deferred tax assets and liabilities at December 31 are as follows:

	1998	-----	NOL	
carryforwards.....				\$
			922	
Reserves.....				
		459	Other,	
net.....				20 --
		----		Total deferred
assets.....			1,401	-----
				Property, plant and
equipment.....			(2,725)	Intangible
assets.....			(38)	-----
		---		Total deferred
liabilities.....			(2,763)	-----
		--		
Subtotal.....				
		(1,362)	-----	Valuation
allowance.....				--
		--		Total deferred
taxes.....				\$(1,362)
		=====		

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 10. COMMITMENTS AND CONTINGENCIES

## Leases

Avalon New England and Avalon Michigan rent poles from utility companies for use in their operations. While rental agreements are generally short-term, Avalon New England and Avalon Michigan anticipate such rentals will continue in the future. Avalon New England and Avalon Michigan also lease office facilities and various items of equipment under month-to-month operating leases. Rent expense was \$58 for the year ended December 31, 1998. Rental commitments are expected to continue at approximately \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

## Legal matters

Avalon and its subsidiaries are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

Avalon and its subsidiaries are subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. Avalon and its Subsidiaries have either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that there will not be further additional challenges to its rates.

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of Avalon and its subsidiaries.

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

During 1998, Avalon New England received \$3,341 from Avalon Holdings. In consideration for this amount, Avalon New England executed a note payable to Avalon Holdings. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at a rate of 5.57% per year and Avalon New England has recorded accrued interest on this note of \$100 at December 31, 1998.

## 12. SUBSEQUENT EVENT

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt. The acquisition by Charter Communications is subject to regulatory approvals. The Company expects to consummate this transaction in the fourth quarter of 1999.

This agreement, if closed, would constitute a change in control under the Indenture pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. The Indenture provides that upon the occurrence of a change of control of the Company (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon (or 101% of the accreted value for the Senior Discount Notes as of the date of purchase if prior to the full accretion date) plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture) thereof, if any, to the date of purchase.

This agreement, if closed, would represent a Change of Control which, on the closing date, constitutes an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable. Charter Communications has agreed to repay all amounts due under the Credit Facility or cause all events of default under the Credit Facility arising from the Change of Control to be waived.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of  
Avalon Cable of Michigan Holdings, Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Avalon Cable of Michigan Holdings, Inc. and subsidiaries (collectively, the "Company") at December 31, 1997 and 1998, and the results of their operations, changes in shareholders' equity and their cash flows for the period from September 4, 1997 (inception) through December 31, 1997, and for the year ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
March 30, 1999, except for Note 13,  
as to which the date is May 13, 1999

F-394



## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

DECEMBER 31, -	-----	1998	1997	-----
- (DOLLARS IN THOUSANDS) ASSETS				
Cash.....		\$ 9,288	\$ -	--
Accounts receivable, net of allowance for doubtful accounts of		\$943.....		
Prepayments and other current assets.....		5,862	--	
Accounts receivable from related parties.....		1,388	504	--
Deferred income		124	--	
taxes.....		377	--	
Current assets.....		17,039		
Property, plant and equipment, net.....		111,421	--	
Intangible assets, net.....		462,117	--	
Deferred charges and other assets.....		1,302	--	
Total assets.....		\$591,879	\$504	
=====				
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current portion of notes payable.....		\$ 20	\$ -	--
Accounts payable and accrued expenses.....		11,646	--	
Advance billings and customer deposits.....		3,171	--	
Accounts payable-affiliate.....		2,023	500	--
Current liabilities.....		16,860		
Long-term debt.....		402,949		
Notes payable-affiliate.....		3,341	--	
Deferred income taxes.....		80,811	--	
Total liabilities.....		503,961	500	
Commitments and contingencies (Note 11).....			--	
Minority interest.....		61,836		
Stockholders equity: Common stock.....		4	--	
Additional paid-in capital.....		35,000	--	
Accumulated deficit.....		(8,918)	--	
Total shareholders' equity.....		26,082	--	
Total liabilities and shareholders' equity.....		\$591,879	\$504	
=====				

The accompanying notes are an integral part of these consolidated financial statements.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE PERIOD FOR THE YEAR SEPTEMBER 4, 1997 ENDED  
(INCEPTION) THROUGH DECEMBER 31, 1998 DECEMBER 31, 1997 --  
----- (DOLLARS IN THOUSANDS)

REVENUE: Basic	
services.....	\$14,976 \$ -- Premium
services.....	1,468
-----	
Other.....	1,743 -- ----- 18,187 -- OPERATING EXPENSES:
Selling, general and	
administrative.....	4,207 --
Programming.....	4,564 -- Technical and
operations.....	1,951 --
Depreciation and	
amortization.....	8,183 -- -----
----- Loss from	
operations.....	(718) --
Interest	
income.....	173 4
Interest	
expense.....	(8,223)
-- Other expense,	
net.....	(65) -- -----
-- ----- Income (loss) before income	
taxes.....	(8,833) 4 (Benefit) from
income taxes.....	(2,754) -- --
----- Income (loss) before minority interest and	
extraordinary	
item.....	(6,079) 4 Minority interest in income of consolidated
entity.....	1,331 (4) ----- ----- Income (loss)
before extraordinary item.....	(4,748) --
Extraordinary loss on extinguishment of debt (net of tax	
of	
\$1,743).....	(4,170) -- ----- Net income
(loss).....	\$(8,918)
\$ -- =====	

The accompanying notes are an integral part of these consolidated financial statements.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1998

COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	TOTAL EQUITY
1997.....	\$--	\$ --
1998.....	100	100
loss.....	(8,918)	(8,918)
Contributions by parent.....	35,000	35,000
December 31, 1998.....	\$35,000	\$26,082

The accompanying notes are an integral part of these consolidated financial statements.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM SEPTEMBER 4, 1997 FOR THE YEAR  
ENDED (INCEPTION) THROUGH DECEMBER 31, 1998

DECEMBER 31, 1997 -----  
----- (DOLLARS IN THOUSANDS) CASH FLOWS FROM  
OPERATING ACTIVITIES: Net income  
(loss)..... \$  
(8,918) \$ 4 Extraordinary loss on extinguishment of  
debt..... 4,170 -- Depreciation and  
amortization..... 8,183 --  
Deferred income taxes,  
net..... 82,370 --  
Provision for loss on accounts  
receivable..... 75 -- Increase in  
minority interest.....  
1,331 -- Accretion on senior discount  
notes..... 1,083 -- Net change  
in certain assets and liabilities, net of business  
acquisitions Increase in accounts receivable....  
(1,679) -- Increase in accounts receivable from  
related parties..... (124) -- Increase in  
prepayment and other current assets.....  
(884) (4) Increase in accounts payable and accrued  
expenses..... 4,863 -- Increase in accounts  
payable to related parties..... 1,523 --  
Increase in deferred  
revenue..... 1,684 --  
Change in Other,  
net..... 1,339 --  
----- Net cash provided by operating  
activities..... 92,338 -- -----  
----- CASH FLOWS FROM INVESTING ACTIVITIES:  
Additions to property, plant and  
equipment..... (11,468) -- Payment for  
acquisition.....  
(554,402) -- ----- Net cash used in  
investing activities..... 565,870  
----- CASH FLOWS FROM FINANCING  
ACTIVITIES: Proceeds from the issuance of the  
Credit Facility..... 265,888 -- Principal  
payment on debt.....  
(125,013) -- Proceeds from the issuance of senior  
subordinated notes.... 150,000 -- Payments made on  
bridge loan.....  
(105,000) -- Proceeds from bridge  
loan..... 105,000 --  
Proceeds from the senior discount  
notes..... 110,411 -- Proceeds from  
sale to minority interest.....  
46,588 -- Proceeds from other notes  
payable..... 600 -- Proceeds  
from the issuance of note payable affiliate.....  
3,341 -- Payments made for debt financing  
costs..... (3,995) -- Proceeds from  
the issuance of common stock.....  
35,000 -- ----- Net cash provided by  
financing activities..... 482,820 -- -  
----- Net increase in  
cash..... 9,288 -  
- Cash at beginning of the  
period..... - - -  
----- Cash at end of the  
period..... \$ 9,288 \$  
-- ===== SUPPLEMENTAL DISCLOSURES OF  
CASH FLOW INFORMATION: Cash paid during the year  
for Interest..... \$ 3,480 \$ --  
Income  
taxes.....  
-- --

The accompanying notes are an integral part of these consolidated financial  
statements.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

## 1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Avalon Cable of Michigan Holdings, Inc. ("the Company") was formed in June 1998, pursuant to the laws of the state of Delaware. Avalon Cable of Michigan Inc. ("Avalon Michigan") was formed in June 1998, pursuant to the laws of the state of Delaware as a wholly owned subsidiary of the Company. On June 3, 1998, Avalon Michigan entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Cable Michigan, Inc. ("Cable Michigan") and Avalon Michigan, pursuant to which Avalon Michigan will merge into Cable Michigan and Cable Michigan will become a wholly owned subsidiary of the Company (the "Merger").

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of Cable Michigan outstanding prior to the effective time of the Merger (other than treasury stock shares owned by the Company or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

In conjunction with the acquisition of Cable Michigan, Avalon Michigan acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, Avalon Michigan completed its merger into and with Cable Michigan. The total consideration paid in conjunction with the merger, including fees and expenses was \$431,629, including repayment of all existing Cable Michigan indebtedness and accrued interest of \$135,205. Subsequent to the merger, the arrangements with RCN and CTE for certain support services were terminated. The Agreement also permitted Avalon Michigan to agree to acquire the remaining shares of Mercom that it did not own.

The Company contributed \$137,375 in cash to Avalon Michigan, which was used to consummate the Merger. On November 5, 1998, the Company received \$105,000 in cash in exchange for promissory notes to lenders (the "Bridge Agreement"). On November 6, 1998, the Company contributed the proceeds received from the Bridge Agreement and an additional \$35,000 in cash to Avalon Michigan in exchange for 100 shares of common stock.

On November 6, 1998, Avalon Cable of New England Holdings, Inc. contributed its 100% interest in Avalon Cable of New England LLC ("Avalon New England") to Avalon Cable LLC in exchange for a membership interest in Avalon Cable LLC. This contribution was between entities under common control and was accounted for similar to a pooling-of-interests. Under this pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (September 4, 1997) of Avalon New England. On that same date, Avalon Cable LLC received \$63,000 from affiliated entities, which was comprised of (i) a \$45,000 capital contribution by Avalon Investors, LLC ("Avalon Investors") and (ii) a \$18,000 promissory note from Avalon Cable Holdings LLC ("Avalon Holdings"), which was used to make a \$62,800 cash contribution to Avalon New England.

The cash contribution received by Avalon New England was used to (i) extinguish existing indebtedness of \$29,600 and (ii) fund a \$33,200 loan to Avalon Holdings Finance which matures on December 31, 2001.

On December 10, 1998, Avalon Cable LLC received a dividend distribution from Avalon New England in the amount of \$18,206, which was used by Avalon Cable LLC to pay off the promissory note payable to Avalon Holdings, plus accrued interest.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

On March 26, 1999, after the acquisition of Mercom, Inc., the Company completed a series of transactions to facilitate certain aspects of its financing between affiliated entities under common control. As a result of these transactions:

- Avalon Michigan contributed its assets and liabilities excluding deferred tax liabilities, net to Avalon Cable LLC in exchange for an approximate 88% voting interest in Avalon Cable LLC. Avalon Cable LLC contributed these assets and liabilities to its wholly-owned subsidiary, Avalon Cable of Michigan LLC ("Avalon Michigan LLC");
- Avalon Michigan LLC has become the operator of the Michigan cluster replacing Avalon Michigan;
- Avalon Michigan LLC is an obligor on the Senior Subordinated Notes replacing Avalon Michigan; and
- Avalon Michigan is a guarantor of the obligations of Avalon Michigan LLC under the Senior Subordinated Notes. Avalon Michigan does not have significant assets, other than its investment in Avalon Cable LLC.
- The Company contributed the Senior Discount Notes to Avalon Cable LLC and became a guarantor of the Senior Discount Notes. The Company does not have significant assets, other than its 88% investment in Avalon Cable LLC.

As a result of this reorganization between entities under common control, the Company accounted for the reorganization similar to a pooling-of-interests. Under the pooling-of-interests method, the results of operations include the results of operations from the earliest date that a member became a part of the control group by inception or acquisition. For the Company, the results of operations are from the date of inception (September 4, 1997) for Avalon New England, a wholly-owned subsidiary of Avalon Cable LLC.

Avalon Michigan has a majority-interest in Avalon Cable LLC. Avalon Cable LLC wholly-owns Avalon Cable Holdings Finance, Avalon New England, and Avalon Michigan LLC.

Avalon New England and Avalon Michigan provide cable service to the western New England area and the state of Michigan, respectively. Avalon New England and Avalon Michigan LLC's cable systems offer customer packages for basic cable programming services which are offered at a per channel charge or packaged together to form a tier of services offered at a discount from the combined channel rate. Avalon New England and Avalon Michigan LLC's cable systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principle sources of revenue for the Company.

Avalon Holdings Finance was formed for the sole purpose of facilitating financings associated with the acquisitions of various cable operating companies. Avalon Holdings Finance conducts no other activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and of all its wholly and majority owned subsidiaries. All significant transactions between the Company and its subsidiaries have been eliminated.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

## Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Revenue recognition

Revenues from cable services are recorded in the month the service is provided. Installation fee revenue is recognized in the period in which the installation occurs to the extent that direct selling costs meet or exceed installation revenues.

## Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was \$82 for the year ended December 31, 1998.

## Concentration of credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1998. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

## Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests' share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based on the following lives:

Buildings and improvements.....	10-25 years
Cable plant and equipment.....	5-12 years
Vehicles.....	5 years
Office furniture and equipment.....	5-10 years

## Intangible assets

Intangible assets represent the estimated fair value of cable franchises and goodwill resulting from acquisitions. Cable franchises are amortized over a period ranging from 13 to 15 years on a straight-line basis. Goodwill is the excess of the purchase price over the fair value of the net assets acquired, determined through

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

an independent appraisal, and is amortized over 15 years using the straight-line method. Deferred financing costs represent direct costs incurred to obtain long-term financing and are amortized to interest expense over the term of the underlying debt utilizing the effective interest method.

## Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

## Fair value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. The Company estimates that the fair value of all financial instruments at December 31, 1998 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The fair value of the notes payable-affiliate are considered to be equal to carrying values since the Company believes that its credit risk has not changed from the time this debt instrument was executed and therefore, would obtain a similar rate in the current market.

b. The fair value of the cash and temporary cash investments approximates fair value because of the short maturity of these instruments.

## Income taxes

The Company and Mercom file separate consolidated federal income tax returns. The Company accounts for income taxes using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

## 3. MERGER AND ACQUISITIONS

The Merger was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on their fair market values at the date of the Merger. The purchase price was allocated as follows: current assets and liabilities at fair values of \$470, approximately \$94,000 to property, plant and equipment, \$315,000 to cable franchises and the excess of consideration paid



## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

over the fair market value of the net assets acquired, or goodwill, of \$81,705, offset by deferred taxes, net of \$60,000.

The Merger agreement between the Company and Avalon Michigan permitted Avalon Michigan to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 Avalon Michigan and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by Avalon Michigan of all of such shares at a price of \$12.00 per share. Avalon Michigan completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

On May 29, 1998, the Company acquired certain assets of Amrac Clear View, A Limited Partnership ("Amrac") for consideration of \$8,124, including acquisition costs of \$589. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through the use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$256.

On July 21, 1998, the Company acquired certain assets and liabilities from Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc. (collectively, "Pegasus") for consideration of \$30,467, including acquisition costs of \$175. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$977.

Following is the unaudited pro forma results of operations for the year ended December 31, 1998, as if the Merger and acquisitions occurred on January 1, 1998:

DECEMBER 31, 1998 ----- (UNAUDITED)	
Revenue.....	\$ 96,751 =====
operations.....	Loss from \$
	(5,292) ===== Net
loss.....	\$(22,365) =====

In March 1999, Avalon Michigan acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

In September 1998, the Company entered into a definitive agreement to purchase all of the cable systems of Taconic Technology Corporation ("Taconic") for approximately \$8,525 (excluding transaction fees). As of December 31, 1998, the Company incurred \$41 of transaction costs related to the acquisition of Taconic. This merger is expected to close in the second quarter of 1999.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Cable plant and equipment.....	\$106,602
Vehicles.....	2,572
Buildings and improvements.....	1,026
Office furniture and equipment.....	2,234
Construction in process.....	768
	-----
Total property, plant and equipment.....	113,202
Less-accumulated depreciation.....	(1,781)
	-----
Property, plant and equipment, net.....	\$111,421
	=====

Depreciation expense was \$1,781 for the year ended December 31, 1998.

## 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cable Franchise.....	\$374,773
Goodwill.....	82,928
Deferred Financing Costs.....	10,658
Non-compete agreement.....	100
	-----
Total.....	468,459
Less-accumulated amortization.....	(6,342)
	-----
Intangible assets, net.....	\$462,117
	=====

Amortization expense for the year ended December 31, 1998 was \$6,342.

## 6. ACCOUNT PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

Accounts payable.....	\$ 5,321
Accrued corporate expenses.....	404
Accrued cable programming costs.....	2,388
Accrued taxes.....	1,383
Other.....	2,150
	-----
	\$11,646
	=====

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

## 7. INCOME TAXES

The income tax provision (benefit) in the accompanying consolidated financial statements of operations is comprised of the following:

	1998	-----	CURRENT
Federal.....			
		\$ 243	
State.....			
	--	-----	Total
Current.....			243
		-----	DEFERRED
Federal.....			
		(2,757)	
State.....			
	(240)	-----	Total
Deferred.....			
	(2,997)	-----	Total (benefit) for income
taxes.....			\$(2,754) =====

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1998. The differences are as follows:

1998	-----	(Loss) before (benefit) for income	
taxes.....		\$(8,833)	===== Federal tax
(benefit) at statutory rates.....		\$(3,092)	
		State income	
taxes.....		(177)	
Goodwill.....			
	77	Benefit for taxes allocated to minority	
partners.....	84	----- (Benefit) for income	
taxes.....		\$(3,108)	=====

TAX NET OPERATING EXPIRATION YEAR LOSSES DATE -	-----	--
1998.....		
	\$10,360	2018

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

Temporary differences that give rise to significant portion of deferred tax assets and liabilities at December 31 are as follows:

	1998	-----	NOL	
carryforwards.....				\$
	5,363		Alternative minimum tax	
credits.....			141	
Reserves.....				
	210		Other,	
net.....			309	-
			-----	Total deferred
assets.....			6,023	-----
				- Property, plant and
equipment.....			(10,635)	
				Intangible
assets.....			(76,199)	
			-----	Total deferred
liabilities.....			(86,834)	----
				----
Subtotal.....				
	(80,811)		-----	Valuation
allowance.....				--
			---	Total deferred
taxes.....			\$(80,811)	
			=====	

The tax benefit related to the loss on extinguishment of debt results in deferred tax, and it approximates the statutory U.S. tax rate. The tax benefit of \$2,036 related to the exercise of certain stock options of Cable Michigan Inc. was charged directly to goodwill in conjunction with the closing of the merger.

## 8. DEBT

At December 31, 1998, long-term debt consists of the following:

Senior Credit Facility.....	\$140,875
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	111,494
Other Note Payable.....	600
	-----
	402,969
Current portion.....	20
	-----
	\$402,949
	=====

## Credit Facilities

On May 28, 1998, Avalon New England entered into a term loan and revolving credit agreement with a major commercial lending institution (the "Credit Agreement"). The Credit Agreement allowed for aggregate borrowings under Term Loans A and B (collectively, the "Term Loans") and a revolving credit facility of \$30,000 and \$5,000, respectively. The proceeds from the Term Loans and revolving credit facility were used to fund the acquisitions made by Avalon New England and to provide for Avalon New England's working capital requirements.

In December 1998, Avalon New England retired the Term Loans and revolving credit agreement through the proceeds of a capital contribution from Avalon Cable LLC. The fees and associated costs relating to the early retirement of this debt was \$1,110.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

On November 6, 1998, Avalon Michigan became a co-borrower along with Avalon New England and Avalon Cable Finance, Inc. (Avalon Finance), affiliated companies, collectively referred to as the ("Co-Borrowers") on a \$320,888 senior credit facility, which includes term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000 and a revolving credit facility of \$30,000 (collectively, the "Credit Facility"). Subject to compliance with the terms of the Credit Facility, borrowings under the Credit Facility will be available for working capital purposes, capital expenditures and pending and future acquisitions. The ability to advance funds under the tranche A term loan facility terminated on March 31, 1999. The tranche A term loans are subject to minimum quarterly amortization payments commencing on January 31, 2001 and maturing on October 31, 2005. The tranche B term loans are scheduled to be repaid in two equal installments on July 31, 2006 and October 31, 2006. The revolving credit facility borrowings are scheduled to be repaid on October 31, 2005.

On November 6, 1998, Avalon Michigan borrowed \$265,888 under the Credit Facility in order to consummate the Merger. In connection with the Senior Subordinated Notes (as defined below) and Senior Discount Notes (as defined below) offerings, Avalon Michigan repaid \$125,013 of the Credit Facility, and the availability under the Credit Facility was reduced to \$195,000. Avalon Michigan had borrowings of \$11,300 and \$129,575 outstanding under the tranche A and tranche B term note facilities, and had available \$30,000 for borrowings under the revolving credit facility. Avalon New England and Avalon Finance had no borrowings outstanding under the Credit Facility at December 31, 1998.

The interest rate under the Credit Facility is a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, the applicable margin. As of December 31, 1998, the applicable margin was (a) with respect to the tranche B term loans was 2.75% per annum for Base Rate loans and 3.75% per annum for Eurodollar loans and (b) with respect to tranche A term loans and the revolving credit facility was 2.00% per annum for Base Rate loans and 3.00% for Eurodollar loans. The applicable margin for the tranche A term loans and the revolving credit facility are subject to performance based grid pricing which is determined based on upon the consolidated leverage ratio of the Co-Borrowers. The interest rate for the tranche B term loans outstanding at December 31, 1998 was 9.19%. Interest is payable on a quarterly basis. Accrued interest on the borrowings under the credit facility was \$1,389 at December 31, 1998.

The Credit Facility contains restrictive covenants which among other things require the Co-Borrowers to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage ratio.

The obligations of the Co-Borrowers under the Credit Facility are secured by substantially all of the assets of the Co-Borrowers. In addition, the obligations of the Co-Borrowers under the Credit Facility are guaranteed by the Company, Avalon Cable LLC, Avalon Cable Finance Holdings, Inc., Avalon Cable of New England Holdings, Inc. and Avalon Cable Holdings, LLC.

A Change of Control as defined under the Credit Facility agreement would constitute an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable.

#### Subordinated Debt

In December 1998, Avalon Michigan became a co-issuer of a \$150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering and Michigan Holdings became a co-issuer of a \$196,000, gross proceeds, Senior Discount Notes (defined below) offering. In conjunction with these

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

financings, Avalon Michigan paid \$18,130 to Avalon Finance as a partial payment against Avalon Michigan's note payable-affiliate. Avalon Michigan paid \$76 in interest on this note payable-affiliate during the period from inception (June 2, 1998) through December 31, 1998.

The Subordinated Notes mature on December 1, 2008, and interest accrued at a rate of 9.375% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 1999. Accrued interest on the Subordinated Notes was \$1,078 at December 31, 1998.

The Senior Subordinated Notes will not be redeemable at the Co-Borrowers' option prior to December 1, 2003. Thereafter, the Senior Subordinated Notes will be subject to redemption at any time at the option of the Co-Borrowers, in whole or in part at the redemption prices (expressed as percentages of principal amount) plus accrued and unpaid interest, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

## YEAR PERCENTAGE - - - - -

2003.....	104.688%
2004.....	103.125%
2005.....	101.563%
thereafter.....	100.000%

The scheduled maturities of the long-term debt are \$2,000 in 2001, \$4,000 in 2002, \$72,479 in 2003, and the remainder thereafter.

At any time prior to December 1, 2001, the Co-Borrowers may on any one or more occasions redeem up to 35% of the aggregate principal amount of Senior Subordinate Notes originally issued under the Indenture at a redemption price equal to 109.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Subordinated Notes originally issued remain outstanding immediately after each such redemption.

As used in the preceding paragraph, "Equity Offering and Strategic Equity Investment" means any public or private sale of Capital Stock of any of the Co-Borrowers pursuant to which the Co-Borrowers together receive net proceeds of at least \$25 million, other than issuances of Capital Stock pursuant to employee benefit plans or as compensation to employees; provided that to the extent such Capital Stock is issued by the Co-Borrowers, the net cash proceeds thereof shall have been contributed to one or more of the Co-Borrowers in the form of an equity contribution.

The Indentures provide that upon the occurrence of a change of control (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the Indentures) thereof, if any, to the date of purchase.

## The Senior Discount Notes

On December 3, 1998, the Company, Avalon Cable LLC and Avalon Cable Holdings Finance, Inc. ("Holdings Co-Borrowers") issued \$196.0 million aggregate principal amount at maturity of 11 7/8% Senior Discount Notes ("Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, to generate gross proceeds of approximately \$110.4 million. Interest on the Senior Discount Notes will accrue but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum, and will be payable semi-annually in arrears



## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

on June 1 and December 1 of each year, commencing December 1, 2003. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003 on a semi-annual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003. Original issue discount accretion on the Senior Discount Notes was \$1,083 at December 31, 1998.

On December 1, 2003, the Holding Co-borrowers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holding Co-borrowers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Discount Notes originally issued remain outstanding immediately after each occurrence of such redemption.

Upon the occurrence of a Change of Control, each holder of Senior Discount Notes will have the right to require the Holding Co-borrowers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a Change of Control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase.

#### Note Payable

Avalon New England issued a note payable for \$500 which is due on May 29, 2003, and bears interest at a rate of 7% per annum (which approximates Avalon New England's incremental borrowing rate) payable annually. Additionally, Avalon New England has a \$100 non-compete agreement. The agreement calls for five annual payments of \$20, commencing on May 29, 1999.

#### Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

On September 29, 1997, Avalon Michigan purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate



## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables at December 31, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

## 9. MINORITY INTEREST

The activity in minority interest for the year ended December 31, 1998 is as follows:

AVALON CABLE MERCOM LLC TOTAL	-----	-----	-	---
---- Issuance of Class A units by Avalon Cable LLC.....	\$ -- \$45,000	\$45,000	Issuance of Class B-1 units by Avalon Cable LLC.....	-- 4,345 4,345
Allocated to minority interest prior to restructuring.....				
-- 365 365 Purchase of Cable Michigan, Inc.....	13,457	-- 13,457	Income (loss) allocated to minority interest.....	398
(1,729) (1,331) -----	-----	-	-----	Balance at December 31, 1998.....
\$13,855 \$47,981 \$61,836	=====	=====	=====	=====

## 10. EMPLOYEE BENEFIT PLANS

Avalon Michigan has a qualified savings plan under Section 401(K) of the Internal Revenue Code. Contributions charged to expense for the period from November 5, 1998 to December 31, 1998 was \$30.

## 11. COMMITMENTS AND CONTINGENCIES

## Leases

Avalon New England and Avalon Michigan rent poles from utility companies for use in their operations. While rental agreements are generally short-term, Avalon New England and Avalon Michigan anticipate such rentals will continue in the future. Avalon New England and Avalon Michigan also lease office facilities and various items of equipment under month-to-month operating leases. Rent expense was \$58 for the year ended December 31, 1998. Rental commitments are expected to continue at approximately \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

## Legal Matters

The Company and its subsidiaries are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

The Company and its subsidiaries are subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. The Company and its subsidiaries have either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that there will not be further additional challenges to its rates.

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of the Company and its subsidiaries.

## AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

DECEMBER 31, 1998

## 12. RELATED PARTY TRANSACTIONS AND BALANCES

During 1998, Avalon New England received \$3,341 from Avalon Holdings. In consideration for this amount, Avalon New England executed a note payable to Avalon Holdings. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at the rate of 5.57% per year and Avalon New England has recorded accrued interest on this note of \$100 at December 31, 1998.

## 13. SUBSEQUENT EVENT

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt. The acquisition by Charter Communications is subject to regulatory approvals. The Company expects to consummate this transaction in the fourth quarter of 1999.

This agreement, if closed, would constitute a change in control under the Indenture pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. The Indenture provides that upon the occurrence of a change of control of the Company (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon (or 101% of the accreted value for the Senior Discount Notes as of the date of purchase if prior to the full accretion date) plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture) thereof, if any, to the date of purchase.

This agreement, if closed, would represent a Change of Control which, on the closing date, constitutes an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable. Charter Communications has agreed to repay all amounts due under the Credit Facility or cause all events of default under the Credit Facility arising from the Change of Control to be waived.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of  
Avalon Cable of Michigan, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in shareholders' deficit and of cash flows present fairly, in all material respects, the financial position of Cable Michigan, Inc. and subsidiaries (collectively, the "Company") at December 31, 1996 and 1997 and November 5, 1998, and the results of their operations and their cash flows for each of the two years ended December 31, 1996 and 1997 and the period from January 1, 1998 to November 5, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
March 30, 1999

F-412

## CABLE MICHIGAN, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, NOVEMBER 5, 1997	1998	-----	-	---
----- (DOLLARS IN THOUSANDS) ASSETS				
Cash and temporary cash investments.....				\$
17,219	\$ 6,093	Accounts receivable, net of reserve for doubtful accounts of \$541 at December 31, 1997 and \$873 at November 5, 1998....	3,644	4,232
Prepayments and other..... 663 821				
Accounts receivable from related parties..... 166 396				
Deferred income taxes..... 1,006				
541 ----- - ----- Total current assets..... 22,698				
12,083 Property, plant and equipment, net..... 73,836 77,565				
Intangible assets, net..... 45,260				
32,130 Deferred charges and other assets..... 803 9,442 -----				
- ----- Total assets.....				
\$142,597	\$131,220	=====	=====	LIABILITIES AND SHAREHOLDERS' DEFICIT
Current portion of long-term debt..... \$ -- \$ 15,000				
Accounts payable.....				
5,564 8,370 Advance billings and customer deposits..... 2,242 1,486				
Accrued taxes.....				
167 1,035 Accrued cable programming expense..... 2,720 5,098				
Accrued expenses.....				
4,378 2,052 Accounts payable to related parties..... 1,560 343 -----				
----- Total current liabilities..... 16,631				
33,384 Long-term debt.....				
143,000 120,000 Deferred income taxes..... 22,197				
27,011 ----- - ----- Total liabilities.....				
181,828 180,395 ----- - ----- Minority interest.....				
14,643 14,690 ----- - ----- Commitments and contingencies (Note 11)..... -- --				
Preferred Stock..... --				
Common stock..... -- Common				
Common shareholders' deficit..... (53,874)				
(63,865) ----- - ----- Total Liabilities and Shareholders' Deficit..... \$142,597				
\$131,220 =====				

The accompanying notes are an integral part of these consolidated financial statements.

## CABLE MICHIGAN, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE FOR THE YEARS ENDED PERIOD FROM DECEMBER  
 31, JANUARY 1, 1998 ----- TO  
 1996 1997 NOVEMBER 5, 1998 ----- -  
 ----- (DOLLARS IN THOUSANDS EXCEPT PER  
 SHARE AND SHARE AMOUNTS)

Revenues.....			
\$ 76,187	\$ 81,299	\$ 74,521	Costs and expenses,
			excluding management fees and depreciation and
			amortization.....
	40,593	44,467	
	41,552		Management
fees.....		3,498	
	3,715	3,156	Depreciation and
			amortization.....
	31,427	32,082	
	28,098		Merger related
expenses.....	--	--	5,764 -
			Operating
income.....			669
	1,035	(4,049)	Interest
income.....		127	358
	652		Interest
expense.....			
(15,179)	(11,751)	(8,034)	Gain on sale of Florida
			cable system.....
			-- 2,571 -- Other
			(expense), net.....
(736)	(738)	(937)	-----
			(Loss) before income
taxes.....	(15,119)	(8,525)	
	(12,368)		(Benefit) from income
taxes.....	(5,712)	(4,114)	
(1,909)			(Loss)
			before minority interest and equity in
unconsolidated entities.....			
(9,407)	(4,411)	(10,459)	Minority interest in loss
			(income) of consolidated
entity.....			
1,151	53	(75)	----- Net
(Loss).....			----- \$
(8,256)	\$ (4,358)	\$ (10,534)	=====
			=====
			Basic and diluted earnings per average
			common share Net (loss) to
shareholders.....	\$ (1.20)	\$	
(.63)	\$ (1.53)		Average common shares and common
			stock equivalents
outstanding.....			
	6,864,799	6,870,528	6,891,932

The accompanying notes are an integral part of these consolidated financial statements.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31,  
1996 AND 1997 AND THE PERIOD FROM  
JANUARY 1, 1998 TO NOVEMBER 5,  
1998 - -----

----- COMMON ADDITIONAL  
SHAREHOLDER'S TOTAL SHARES COMMON  
PAID-IN NET SHAREHOLDERS'  
OUTSTANDING STOCK CAPITAL DEFICIT  
INVESTMENT DEFICIT -----

----- (DOLLARS IN  
THOUSANDS EXCEPT SHARE AMOUNTS)

Balance, December 31,  
1995..... 1,000 \$ 1 \$ -- \$ -  
-- \$(73,758) \$(73,757) Net  
loss.....  
-- -- -- (8,256) (8,256)

Transfers from  
CTE..... -- -- --  
-- 2,272 2,272 -----

-----  
Balance, December 31,  
1996..... 1,000 1 -- -- --  
(79,742) (79,741) Net loss from  
1/1/97 through

9/30/97.....  
-- -- -- (3,251) (3,251) Net  
loss from 10/1/97 through

12/31/97.....  
-- -- -- (1,107) -- (1,107)  
Transfers from RCN

Corporation.....  
-- -- -- 30,225 30,225 Common  
stock issued in connection with  
the Distribution.....  
6,870,165 6,870 -- (59,638) 52,768

-----  
----- Balance,  
December 31, 1997.....  
6,871,165 6,871 -- (60,745) --  
(53,874) Net loss from January 1,  
1998 to November 5,

1998..... -- -- --  
(10,534) -- (10,534) Exercise of  
stock options..... 30,267  
30 351 - -- -- 381 Tax benefits of  
stock option

exercises.....  
-- -- 162 - -- -- 162 -----

-----  
----- Balance, November 5,  
1998..... 6,901,432 \$6,901  
\$513 \$(71,279) \$ -- \$(63,865)

===== =====  
===== =====

The accompanying notes are an integral part of these consolidated financial  
statements.  
F-415

## CABLE MICHIGAN, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, FOR THE PERIOD FROM - ----			
----- JANUARY 1, 1998 TO 1996 1997 NOVEMBER 5,			
1998 ----- (DOLLARS IN			
THOUSANDS) CASH FLOWS FROM OPERATING ACTIVITIES Net			
(loss).....	\$		
(8,256) \$ (4,358) \$(10,534) Gain on pension			
curtailment/settlement.....	(855)	- - - -	
Depreciation and			
amortization.....	31,427	32,082	
28,098 Deferred income taxes,			
net.....	988	(4,359)	(3,360)
Provision for losses on accounts			
receivable.....	843	826	710
Gain on sale of			
Florida cable systems.....	--	(2,571)	--
Increase (decrease) in minority			
interest.....	(1,151)	(53)	47
Other non-cash			
items.....	2,274	1,914	-
- Net change in certain assets and liabilities, net of			
business acquisitions Accounts receivable and customer			
deposits.....	(1,226)	(617)	(2,054)
Accounts			
payable.....	1,365		
2,234 2,806 Accrued			
expenses.....	125		
580 52 Accrued			
taxes.....	(99)		
61 868 Accounts receivable from related			
parties.....	567	1,549	(230)
Accounts			
payable to related parties.....	1,314		
(8,300) (1,217) Other,			
net.....	501		
(644) (158) ----- Net cash provided			
by operating activities.....	27,817	18,344	
15,028 ----- CASH FLOWS FROM			
INVESTING ACTIVITIES Additions to property, plant and			
equipment.....	(9,605)	(14,041)	(18,697)
Acquisitions, net of cash			
acquired.....	--	(24)	--
Proceeds from			
sale of Florida cable systems.....	--	3,496	--
Other.....			
390 560 -- ----- Net cash used in			
investing activities.....	(9,215)		
(10,009) (18,697) ----- CASH FLOWS			
FROM FINANCING ACTIVITIES Issuance of long-term			
debt.....	--	128,000	--
Redemption of long-term			
debt.....	(1,500)	(17,430)	
(8,000) Proceeds from the issuance of common			
stock.....	--	--	543
Transfers from			
CTE.....	--	12,500	--
Change in affiliate notes,			
net.....	(16,834)	(116,836)	--
Payments made for debt financing			
costs.....	--	(647)	--
- ----- Net cash provided by (used in) financing			
activities.....	(18,334)	5,587	(7,457)
Net			
increase/(decrease) in cash and temporary cash			
investments.....			
268 13,922 (11,126) Cash and temporary cash investments at			
beginning of year....	3,029	3,297	17,219
-----			
-- ----- Cash and temporary cash investments at end of			
year.....	\$ 3,297	\$ 17,219	\$ 6,093
=====			
===== SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for			
Interest.....	\$ 15,199	\$ 11,400	\$ 7,777
Income			
taxes.....	29		
370 315			

## Supplemental Schedule of Non-cash Investing and Financing Activities:

In September 1997, in connection with the transfer of CTE's investment in Mercom to the Company, the Company assumed CTE's \$15,000 Term Credit Facility.

Certain intercompany accounts receivable and payable and intercompany note balances were transferred to shareholders' net investment in connection with the Distribution described in note 1.

The accompanying notes are an integral part of these consolidated financial statements.



## CABLE MICHIGAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
DECEMBER 31, 1998

## 1. BACKGROUND AND BASIS OF PRESENTATION

Prior to September 30, 1997, Cable Michigan, Inc. and subsidiaries (the "Company") was operated as part of C-TEC Corporation ("C-TEC"). On September 30, 1997, C-TEC distributed 100 percent of the outstanding shares of common stock of its wholly owned subsidiaries, RCN Corporation ("RCN") and the Company to holders of record of C-TEC's Common Stock and C-TEC's Class B Common Stock as of the close of business on September 19, 1997 (the "Distribution") in accordance with the terms of the Distribution Agreement dated September 5, 1997 among C-TEC, RCN and the Company. The Company consists of C-TEC's Michigan cable operations, including its 62% ownership in Mercom, Inc. ("Mercom"). In connection with the Distribution, C-TEC changed its name to Commonwealth Telephone Enterprises, Inc. ("CTE"). RCN consists primarily of C-TEC's bundled residential voice, video and Internet access operations in the Boston to Washington, D.C. corridor, its existing New York, New Jersey and Pennsylvania cable television operations, a portion of its long distance operations and its international investment in Megacable, S.A. de C.V. C-TEC, RCN, and the Company continue as entities under common control until the Company completes the Merger (as described below).

On June 3, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Avalon Cable of Michigan Holdings Inc. ("Avalon Holdings") and Avalon Cable of Michigan Inc. ("Avalon Sub"), pursuant to which Avalon Sub will merge into the Company and the Company will become a wholly owned subsidiary of Avalon Holdings (the "Merger").

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of the Company outstanding prior to the effective time of the Merger (other than treasury stock, shares owned by Avalon Holdings or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

On November 6, 1998, the Company completed its merger into and with Avalon Cable Michigan, Inc. The total consideration payable in conjunction with the merger, including fees and expenses is approximately 431,600. Subsequent to the merger, the arrangements with RCN and CTE (as described below) were terminated. The Merger agreement also permitted the Company to agree to acquire the remaining shares of Mercom that it did not own.

Cable Michigan provides cable services to various areas in the state of Michigan. Cable Michigan's cable television systems offer customer packages for basic cable programming services which are offered at a per channel charge or packaged together to form a tier of services offered at a discount from the combined channel rate. Cable Michigan's cable television systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principle sources of revenue for the Company.

The consolidated financial statements have been prepared using the historical basis of assets and liabilities and historical results of operations of all wholly and majority owned subsidiaries. However, the historical financial information presented herein reflects periods during which the Company did not operate as an independent company and accordingly, certain assumptions were made in preparing such financial information. Such information, therefore, may not necessarily reflect the results of operations, financial condition or cash flows of the Company in the future or what they would have been had the Company been an independent, public company during the reporting periods. All material intercompany transactions and balances have been eliminated.

RCN's corporate services group has historically provided substantial support services such as finance, cash management, legal, human resources, insurance and risk management. Prior to the Distribution, the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

corporate office of C-TEC allocated the cost for these services pro rata among the business units supported primarily based on assets; contribution to consolidated earnings before interest, depreciation, amortization, and income taxes; and number of employees. In the opinion of management, the method of allocating these costs is reasonable; however, such costs are not necessarily indicative of the costs that would have been incurred by the Company on a stand-alone basis.

CTE, RCN and the Company have entered into certain agreements subsequent to the Distribution, and governing various ongoing relationships, including the provision of support services between the three companies, including a distribution agreement and a tax-sharing agreement.

The fee per year for support services from RCN will be 4.0% of the revenues of the Company plus a direct allocation of certain consolidated cable administration functions of RCN. The direct charge for customer service along with the billing service and the cable guide service will be a pro rata share (based on subscribers) of the expenses incurred by RCN to provide such customer service and to provide such billing and cable guide service for RCN and the Company.

CTE has agreed to provide or cause to be provided to RCN and the Company certain financial data processing services for a transitional period after the Distribution. The fees for such services will be an allocated portion (based on relative usage) of the cost incurred by CTE to provide such financial data processing services to all three groups.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Cash and temporary cash investments

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be temporary cash investments. Temporary cash investments are stated at cost, which approximates market.

## Property, plant and equipment and depreciation

Property, plant and equipment reflects the original cost of acquisition or construction, including payroll and related costs such as taxes, pensions and other fringe benefits, and certain general administrative costs.

Depreciation is provided on the straight-line method based on the useful lives of the various classes of depreciable property. The average estimated lives of depreciable cable property, plant and equipment are:

Buildings.....	12-25 years
Cable television distribution equipment.....	8.5-12 years
Vehicles.....	5 years
Other equipment.....	12 years

Maintenance and repair costs are charged to expense as incurred. Major replacements and betterments are capitalized. Gain or loss is recognized on retirements and dispositions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## Intangible assets

Intangible assets are amortized on a straight-line basis over the expected period of benefit ranging from 5 to 19.3 years. Intangible assets include cable franchises. The cable systems owned or managed by the Company are constructed and operated under fixed-term franchises or other types of operating authorities (referred to collectively herein as "franchises") that are generally nonexclusive and are granted by local governmental authorities. The provisions of these local franchises are subject to federal regulation. Costs incurred to obtain or renew franchises are capitalized and amortized over the term of the applicable franchise agreement.

## Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

## Revenue recognition

Revenues from cable programming services are recorded in the month the service is provided. Installation fee revenue is recognized in the period in which the installation occurs.

## Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was \$514, \$560, and \$505 in 1996, 1997, and for the period from January 1, 1998 to November 5, 1998 respectively.

## Stock-based compensation

The Company applies Accounting Principles Board Opinion No. 25 -- "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock plans. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 -- "Accounting for Stock-Based Compensation" ("SFAS 123").

## Earnings (loss) per share

The Company has adopted statement of Financial Accounting Standards No. 128 -- "Earnings Per Share" ("SFAS 128"). Basic earnings (loss) per share is computed based on net income (loss) divided by the weighted average number of shares of common stock outstanding during the period.

Diluted earnings (loss) per share is computed based on net income (loss) divided by the weighted average number of shares of common stock outstanding during the period after giving effect to convertible securities considered to be dilutive common stock equivalents. The conversions of stock options during periods in which the Company incurs a loss from continuing operations is not assumed since the effect is anti-dilutive.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The number of stock options which would have been converted in 1997 and in 1998 and had a dilutive effect if the Company had income from continuing operations are 55,602 and 45,531, respectively.

For periods prior to October 1, 1997, during which the Company was a wholly owned subsidiary of C-TEC, earnings (loss) per share was calculated by dividing net income (loss) by one-fourth the average common shares of C-TEC outstanding, based upon a distribution ratio of one share of Company common stock for each four shares of C-TEC common equity owned.

#### Income taxes

The Company and Mercom file separate consolidated federal income tax returns. Prior to the Distribution, income tax expense was allocated to C-TEC's subsidiaries on a separate return basis except that C-TEC's subsidiaries receive benefit for the utilization of net operating losses and investment tax credits included in the consolidated tax return even if such losses and credits could not have been used on a separate return basis. The Company accounts for income taxes using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

#### Reclassification

Certain amounts have been reclassified to conform with the current year's presentation.

### 3. BUSINESS COMBINATION AND DISPOSITIONS

The Agreement between Avalon Cable of Michigan Holdings, Inc. and the Company permitted the Company to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 the Company and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by the Company of all of such shares at a price of \$12.00 per share. The Company completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

In March 1999, Avalon Michigan Inc. acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

In July 1997, Mercom sold its cable system in Port St. Lucie, Florida for cash of approximately \$3,500. The Company realized a pretax gain of \$2,571 on the transaction.



## CABLE MICHIGAN, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1996, 34% for 1997 and 35% for the period from January 1, 1998 to November 5, 1998. The differences are as follows:

YEAR ENDED DECEMBER 31, PERIOD FROM -----	----- JANUARY 1, 1998 TO 1996	1997 NOVEMBER 11, 1998 -----	-----
			(Loss) before
			(benefit) for income taxes.... \$(15,119)
			\$(8,525) \$(12,368) =====
			===== Federal tax (benefit) at statutory
			rates.... \$ (5,307) \$(2,899) \$ (4,329)
			State income
			taxes..... -- -- (101)
			Goodwill.....
			175 171 492 Increase (decrease) in
			valuation
			allowance.....
			(518) (1,190) -- Nondeductible
			expenses..... -- 147 2,029
			Benefit of rate differential applied to
			reversing timing differences.....
			-- (424) -- Other,
			net..... (62)
			81 -- ----- (Benefit)
			for income taxes..... \$
			(5,712) \$(4,114) \$ (1,909) =====
			=====

Mercom, which files a separate consolidated income tax return, has the following net operating losses available:

TAX NET OPERATING EXPIRATION YEAR LOSSES DATE - ----	-----
1992.....	\$ 435 2007
1995.....	\$2,713 2010

In 1997, Mercom was liable for Federal Alternative Minimum Tax (AMT). At December 31, 1997 and at November 5, 1998, the cumulative minimum tax credits are \$141 and \$141, respectively. This amount can be carried forward indefinitely to reduce regular tax liabilities that exceed AMT in future years.

Temporary differences that give rise to a significant portion of deferred tax assets and liabilities are as follows:

DECEMBER 31, NOVEMBER 5, 1997 1998 -----	-----
	NOL
carryforwards..... \$	
1,588 \$ 1,132 Alternative minimum tax	
credits..... 141 141	
Reserves.....	753 210 Other,
net..... 230	
309 ----- Total deferred	
assets..... 2,712 1,792 -	
----- Property, plant and	
equipment..... (11,940) (10,515)	
Intangible	
assets..... (11,963)	
(10,042) ----- Total deferred	
liabilities..... (23,903)	
(20,557) -----	
Subtotal.....	(21,191) (18,765) Valuation
allowance.....	----- Total deferred
taxes..... \$(21,191)	
\$ (18,765) =====	



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In the opinion of management, based on the future reversal of taxable temporary differences, primarily depreciation and amortization, the Company will more likely than not be able to realize all of its deferred tax assets. As a result, the net change in the valuation allowance for deferred tax assets during 1997 was a decrease of \$1,262, which \$72 related to Mercom of Florida.

Due to the sale of Mercom of Florida, the Company's deferred tax liabilities decreased by \$132.

## 7. DEBT

Long-term debt outstanding at November 5, 1998 is as follows:

DECEMBER 31, 1997	NOVEMBER 5, 1998	1997	1998	-----	-	---
Facility.....				\$100,000		
				\$100,000		
Facility.....				28,000	20,000	
Loan.....						
				15,000	15,000	
Total.....						
				143,000	135,000	
debt.....						
					15,000	
Debt.....				\$143,000		
				\$120,000		

## Credit Facility

The Company had an outstanding line of credit with a banking institution for \$3 million. No amounts were outstanding under this facility.

The Company has in place two secured credit facilities (the "Credit Facilities") pursuant to a single credit agreement with a group of lenders for which First Union National Bank acts as agent (the "Credit Agreement"), which was effective as of July 1, 1997. The first is a five-year revolving credit facility in the amount of \$65,000 (the "Revolving Credit Facility"). The second is an eight-year term credit facility in the amount of \$100,000 (the "Term Credit Facility").

The interest rate on the Credit Facilities will be, at the election of the Company, based on either a LIBOR or a Base Rate option (6.25% at November 5, 1998) (each as defined in the Credit Agreement).

The entire amount of the Term Credit Facility has been drawn and as of November 5, 1998, \$100,000 of the principal was outstanding thereunder. The entire amount of the Revolving Credit Facility is available to the Company until June 30, 2002. As of November 5, 1998, \$20,000 of principal was outstanding thereunder. Revolving loans may be repaid and reborrowed from time to time.

The Term Credit Facility is payable over six years in quarterly installments, from September 30, 1999 through June 30, 2005. Interest only is due through June 1999. The Credit Agreement is currently unsecured.

The Credit Agreement contains restrictive covenants which, among other things, require the Company to maintain certain debt to cash flow, interest coverage and fixed charge coverage ratios and place certain limitations on additional debt and investments. The Company does not believe that these covenants will materially restrict its activities.

## Term Loan

On September 30, 1997, the Company assumed all obligations of CTE under a \$15 million credit facility extended by a separate group of lenders for which First Union National Bank also acts as agent (the "\$15 Million Facility"). The \$15 Million Facility matures in a single installment on June 30, 1999 and is collateralized by a first priority pledge of all shares of Mercom owned by the Company. The \$15 Million



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Facility has interest rate provisions (6.25% at November 5, 1998), covenants and events of default substantially the same as the Credit Facilities.

On November 6, 1998, the long-term debt of the Company was paid off in conjunction with the closing of the merger.

## Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

On September 29, 1997, the Company purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables. At November 5, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

## 8. COMMON STOCK AND STOCK PLANS

The Company has authorized 25,000,000 shares of \$1 par value common stock, and 50,000,000 shares of \$1 par value Class B common stock. The Company also has authorized 10,000,000 shares of \$1 par value preferred stock. At November 5, 1998, 6,901,432 common shares are issued and outstanding.

In connection with the Distribution, the Company Board of Directors (the "Board") adopted the Cable Michigan, Inc. 1997 Equity Incentive Plan (the "1997 Plan"), designed to provide equity-based compensation opportunities to key employees when shareholders of the Company have received a corresponding benefit through appreciation in the value of Cable Michigan Common Stock.

The 1997 Plan contemplates the issuance of incentive stock options, as well as stock options that are not designated as incentive stock options, performance-based stock options, stock appreciation rights, performance share units, restricted stock, phantom stock units and other stock-based awards (collectively, "Awards"). Up to 300,000 shares of Common Stock, plus shares of Common Stock issuable in connection with the Distribution related option adjustments, may be issued pursuant to Awards granted under the 1997 Plan.

All employees and outside consultants to the Company and any of its subsidiaries and all Directors of the Company who are not also employees of the Company are eligible to receive discretionary Awards under the 1997 Plan.

Unless earlier terminated by the Board, the 1997 Plan will expire on the 10th anniversary of the Distribution. The Board or the Compensation Committee may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the 1997 Plan in whole or in part.

Prior to the Distribution, certain employees of the Company were granted stock option awards under C-TEC's stock option plans. In connection with the Distribution, 380,013 options covering Common Stock were issued. Each C-Tec option was adjusted so that each holder would hold options to purchase shares of Commonwealth Telephone Enterprise Common Stock, RCN Common Stock and Cable Michigan Common Stock. The number of shares subject to, and the exercise price of, such options were adjusted to take into account the Distribution and to ensure that the aggregate intrinsic value of the resulting RCN, the Company and Commonwealth Telephone Enterprises options immediately after the Distribution was equal to the aggregate intrinsic value of the C-TEC options immediately prior to the Distribution.

## CABLE MICHIGAN, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Information relating to the Company stock options is as follows:

WEIGHTED AVERAGE NUMBER OF EXERCISE SHARES PRICE -----	
- ----- Outstanding December 31,	
1995.....	301,000
Granted.....	33,750 \$ 8.82
Exercised.....	(7,250) - -
Canceled.....	(35,500) 10.01 ----- - ----- Outstanding December 31,
1996.....	292,000 8.46
Granted.....	88,013 8.82
Exercised.....	- - - -
Canceled.....	(375) 10.01 ----- - ----- Outstanding December 31,
1997.....	379,638 8.82
Granted.....	47,500 31.25
Exercised.....	(26,075) 26.21
Canceled.....	(10,250) - - ----- - ----- Outstanding November 5,
1998.....	390,813 \$11.52 =====
	===== Shares exercisable November 5,
1998.....	155,125 \$ 8.45

The range of exercise prices for options outstanding at November 5, 1998 was \$8.46 to \$31.25.

No compensation expense related to stock option grants was recorded in 1997. For the period ended November 5, 1998 compensation expense in the amount of \$161 was recorded relating to services rendered by the Board.

Under the term of the Merger Agreement the options under the 1997 Plan vest upon the closing of the merger and each option holder will receive \$40.50 per option.

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value of these options was estimated at the date of grant using a Black Scholes option pricing model with the following weighted average assumptions for the period ended November 5, 1998. The fair value of these options was estimated at the date of grant using a Black Scholes option pricing model with weighted average assumptions for dividend yield of 0% for 1996, 1997 and 1998; expected volatility of 39.5% for 1996, 38.6% prior to the Distribution and 49.8% subsequent to the Distribution for 1997 and 40% for 1998; risk-free interest rate of 5.95%, 6.52% and 5.68% for 1996, 1997 and 1998 respectively, and expected lives of 5 years for 1996 and 1997 and 6 years for 1998.

The weighted-average fair value of options granted during 1997 and 1998 was \$4.19 and \$14.97, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per share were as follows:

FOR THE YEARS FOR THE PERIOD ENDED DECEMBER 31, FROM JANUARY 1, ----- ----- TO NOVEMBER 5, 1996 1997 1998 -----			
	- Net (Loss) as reported.....	\$(8,256)	\$(4,358) \$(10,534) Net (Loss) pro forma.....
	(8,256) (4,373) Basic (Loss) per share-as reported.....	(1.20)	(0.63) (1.45) Basic (Loss) per share- pro forma..... (1.20)
	(0.64) (1.48) Diluted (Loss) per share-as reported.....	(1.20)	(0.64) (1.48) Diluted (Loss) per share-pro forma.....
	(1.20) (0.63) (1.45) Diluted (Loss) per share-pro forma.....	(1.20)	(1.20) (0.64) (1.48)

In November 1996, the C-TEC shareholders approved a stock purchase plan for certain key executives (the "Executive Stock Purchase Plan" or "C-TEC ESPP"). Under the C-TEC ESPP, participants may purchase shares of C-TEC Common Stock in an amount of between 1% and 20% of their annual base compensation and between 1% and 100% of their annual bonus compensation and provided, however, that in no event shall the participant's total contribution exceed 20% of the sum of their annual compensation, as defined by the C-TEC ESPP. Participant's accounts are credited with the number of share units derived by dividing the amount of the participant's contribution by the average price of a share of C-TEC Common Stock at approximately the time such contribution is made. The share units credited to participant's account do not give such participant any rights as a shareholder with respect to, or any rights as a holder or record owner of, any shares of C-TEC Common Stock. Amounts representing share units that have been credited to a participant's account will be distributed, either in a lump sum or in installments, as elected by the participant, following the earlier of the participant's termination of employment with the Company or three calendar years following the date on which the share units were initially credited to the participant's account. It is anticipated that, at the time of distribution, a participant will receive one share of C-TEC Common Stock for each share unit being distributed.

Following the crediting of each share unit to a participant's account, a matching share of Common Stock is issued in the participant's name. Each matching share is subject to forfeiture as provided in the C-TEC ESPP. The issuance of matching shares will be subject to the participant's execution of an escrow agreement. A participant will be deemed to be the holder of, and may exercise all the rights of a record owner of, the matching shares issued to such participant while such matching shares are held in escrow. Shares of restricted C-TEC Common Stock awarded under the C-TEC ESPP and share units awarded under the C-TEC ESPP that relate to C-TEC Common Stock were adjusted so that following the Distribution, each such participant was credited with an aggregate equivalent value of restricted shares of common stock of CTE, the Company and RCN. In September 1997, the Board approved the Cable Michigan, Inc. Executive Stock Purchase Plan, ("the "Cable Michigan ESPP"), with terms substantially the same as the C-TEC ESPP. The number of shares which may be distributed under the Cable Michigan ESPP as matching shares or in payment of share units is 30,000.

#### 9. PENSIONS AND EMPLOYEE BENEFITS

Prior to the Distribution, the Company's financial statements reflect the costs experienced for its employees and retirees while included in the C-TEC plans.

Through December 31, 1996, substantially all employees of the Company were included in a trustee noncontributory defined benefit pension plan, maintained by C-TEC. Upon retirement, employees are provided a monthly pension based on length of service and compensation. C-TEC funds pension costs to the extent necessary to meet the minimum funding requirements of ERISA. Substantially, all employees of



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

C-TEC's Pennsylvania cable television operations (formerly Twin Country Trans Video, Inc.) were covered by an underfunded plan which was merged into C-TEC's overfunded plan on February 28, 1996.

The information that follows relates to the entire C-TEC noncontributory defined benefit plan. The components of C-TEC's pension cost are as follows for 1996:

Benefits earned during the year (service costs).....	\$ 2,365
Interest cost on projected benefit obligation.....	3,412
Actual return on plan assets.....	(3,880)
Other components -- net.....	(1,456)
	-----
Net periodic pension cost.....	\$ 441
	=====

The following assumptions were used in the determination of the consolidated projected benefit obligation and net periodic pension cost (credit) for December 31, 1996:

Discount Rate.....	7.5%
Expected long-term rate of return on plan assets.....	8.0%
Weighted average long-term rate of compensation increases...	6.0%

The Company's allocable share of the consolidated net periodic pension costs (credit), based on the Company's proportionate share of consolidated annualized salaries as of the valuation date, was approximately \$10 for 1996. These amounts are reflected in operating expenses. As discussed below, no pension cost (credit) was recognized in 1997.

In connection with the restructuring, C-TEC completed a comprehensive study of its employee benefit plans in 1996. As a result of this study, effective December 31, 1996, in general, employees of the Company no longer accrue benefits under the defined benefit pension plans and became fully vested in their benefit accrued through that date. C-TEC notified affected participants in December 1996. In December 1996, C-TEC allocated pension plan assets of \$6,984 and the related liabilities to a separate plan for employees who no longer accrue benefits after sum distributions. The allocation of assets and liabilities resulted in a curtailment/settlement gain of \$4,292. The Company's allocable share of this gain was \$855. This gain results primarily from the reduction of the related projected benefit obligation. The curtailed plan has assets in excess of the projected benefit obligation.

C-TEC sponsors a 401(k) savings plan covering substantially all employees of the Company who are not covered by collective bargaining agreements. Contributions made by the Company to the 401(k) plan are based on a specific percentage of employee contributions. Contributions charged to expense were \$128 in 1996. Contributions charged to expense in 1997 prior to the Distribution were \$107.

In connection with the Distribution, the Company established a qualified saving plan under Section 401(k) of the Code. Contributions charged to expense in 1997 were \$53. Contributions charged to expense for the period from January 1, 1998 to November 5, 1998 were \$164.

#### 10. COMMITMENTS AND CONTINGENCIES

Total rental expense, primarily for office space and pole rental, was \$984, \$908 and \$1,077 for the year ended December 31, 1996, 1997 and for the period from January 1, 1998 to November 5, 1998, respectively. Rental commitments are expected to continue to approximate \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

The Company is subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. The Company has either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

there will not be further additional challenges to its rates. The 1996 statements of operations include charges aggregating approximately \$833 relating to cable rate regulation liabilities. No additional charges were incurred in the year ended December 31, 1997 and for the period from January 1, 1998 to November 5, 1998.

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of the Company.

The Company has agreed to indemnify RCN and C-TEC and their respective subsidiaries against any and all liabilities which arise primarily from or relate primarily to the management or conduct of the business of the Company prior to the effective time of the Distribution. The Company has also agreed to indemnify RCN and C-TEC and their respective subsidiaries against 20% of any liability which arises from or relates to the management or conduct prior to the effective time of the Distribution of the businesses of C-TEC and its subsidiaries and which is not a true C-TEC liability, a true RCN liability or a true Company liability.

The Tax Sharing Agreement, by and among the Company, RCN and C-TEC (the "Tax Sharing Agreement"), governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns filed with respect to tax periods, in the case of the Company, ending or deemed to end on or before the Distribution date. Under the Tax Sharing Agreement, adjustments to taxes that are clearly attributable to the Company group, the RCN group, or the C-TEC group will be borne solely by such group. Adjustments to all other tax liabilities will be borne 50% by C-TEC, 20% by the Company and 30% by RCN.

Notwithstanding the above, if as a result of the acquisition of all or a portion of the capital stock or assets of the Company, the Distribution fails to qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, then the Company will be liable for any and all increases in tax attributable thereto.

## 11. AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has the following transactions with affiliates:

	FOR THE YEAR ENDED	FOR THE PERIOD ENDED	-----
	NOVEMBER 5, 1996	1997	1998
Corporate office costs allocated to the Company.....	\$ 3,498	\$3,715	
\$1,866 Cable staff and customer service costs allocated from RCN			
Cable.....	3,577	3,489	3,640
Interest expense on affiliate notes.....	13,952	8,447	
795 Royalty fees charged by CTE.....	585	465	--
Charges for engineering services.....	296	--	--
Other affiliate expenses.....	189	171	

157

In addition, RCN has agreed to obtain programming from third party suppliers for Cable Michigan, the costs of which will be reimbursed to RCN by Cable Michigan. In those circumstances where RCN purchases third party programming on behalf of both RCN and the Company, such costs will be shared by each company, on a pro rata basis, based on each company's number of subscribers.

At December 31, 1997 and November 5, 1998, the Company has accounts receivable from related parties of \$166 and \$396 respectively, for these transactions. At December 31, 1997 and November 5, 1998, the Company has accounts payable to related parties of \$1,560 and \$343 respectively, for these transactions.

The Company had a note payable to RCN Corporation of \$147,567 at December 31, 1996 primarily related to the acquisition of the Michigan cable operations and its subsequent operations. The Company repaid approximately \$110,000 of this note payable in 1997. The remaining balance was transferred to shareholder's net

investment in connection with the Distribution.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 12. OFF BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Company places its cash and temporary investments with high credit quality financial institutions. The Company also periodically evaluates the creditworthiness of the institutions with which it invests. The Company does, however, maintain unsecured cash and temporary cash investment balances in excess of federally insured limits.

The Company's trade receivables reflect a customer base centered in the state of Michigan. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

## 13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. The fair value of the revolving credit agreement is considered to be equal to carrying value since the debt re-prices at least every six months and the Company believes that its credit risk has not changed from the time the floating rate debt was borrowed and therefore, would obtain similar rates in the current market.

b. The fair value of the cash and temporary cash investments approximates fair value because of the short maturity of these instruments.

## 14. QUARTERLY INFORMATION (UNAUDITED)

The Company estimated the following quarterly data based on assumptions which it believes are reasonable. The quarterly data may differ from quarterly data subsequently presented in interim financial statements.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	QUARTER	QUARTER
	----- 1998					
Revenue.....	\$20,734	\$22,311	\$22,735	\$ 8,741	Operating	
income before depreciation, amortization, and management fees.....	9,043	10,047	10,185	12,277	Operating income	
(loss).....	7,000	(3,324)	(674)	(7,051)	Net	
(loss).....	(1,401)	(5,143)	(2,375)	(1,615)	Net (loss)	
per average Common Share.....	(0.20)	(0.75)	(0.34)	(0.23)	1997	
Revenue.....	\$19,557	\$20,673	\$20,682	\$20,387	Operating	
income before depreciation, amortization, and management fees.....	8,940	9,592	9,287	9,013	Operating income	
(loss).....	275	809	69	Net	(118)	
(loss).....	N/A	N/A	N/A	(1,107)	Net (loss)	
per average Common Share.....	N/A	N/A	N/A	(0.16)		

The fourth quarter information for the quarter ended December 31, 1998 includes the results of operations of the Company for the period from October 1, 1998 through November 5, 1998.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers  
of Avalon Cable of New England LLC

In our opinion, the accompanying balance sheet and the related statements of operations, partners' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Amrac Clear View, a Limited Partnership, (the "Partnership"), as of May 28, 1998 and the results of its operations and its cash flows for the period ended May 28, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts  
September 11, 1998

F-430

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

BALANCE SHEET  
MAY 28, 1998

## ASSETS

Current Assets	
Cash and cash equivalents.....	\$ 415,844
Subscribers and other receivables, net of allowance for doubtful accounts of \$16,445.....	45,359
Prepaid expenses and other current assets.....	129,004
	-----
Total current assets.....	590,207
Property, plant and equipment, net.....	483,134
	-----
	\$1,073,341
	=====

## LIABILITIES AND PARTNERS' EQUITY

Accounts payable.....	\$ 57,815
Accrued expenses.....	84,395
	-----
Total current liabilities.....	142,210
	-----
Commitments and contingencies (Note 7)	
Partners' equity.....	931,131
	-----
	\$1,073,341
	=====

The accompanying notes are an integral part of these financial statements.

F-431

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS  
FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH MAY 28, 1998

REVENUE:	
Basic services.....	\$651,878
Premium services.....	78,365
Other.....	49,067
	-----
	779,310
	-----
OPERATING EXPENSES:	
Programming.....	193,093
Selling, general and administrative.....	151,914
Technical and operations.....	98,628
Depreciation and amortization.....	47,268
Management fees.....	41,674
	-----
Income from operations.....	246,733
Interest income.....	2,319
Interest (expense).....	(1,871)
	-----
Net income.....	\$247,181
	=====

The accompanying notes are an integral part of these financial statements.

F-432

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH MAY 28, 1998

	CLASS A LIMITED PARTNER	CLASS B LIMITED PARTNER	INVESTOR LIMITED PARTNER	GENERAL LIMITED PARTNER	TOTAL
-----					
----- Partners' (deficit) equity at December 31,					
1997.....	\$ (6,756)	\$ (6,756)	\$ (2,703)		
	\$700,165	\$683,950	Net		
income.....	6,180	6,180	2,472	232,349	247,181
-----					
----- Partners' equity at May 28, 1998.....					
	\$ (231)	\$932,514	\$931,131	=====	=====
=====					

The accompanying notes are an integral part of these financial statements.

F-433

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH MAY 28, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income.....	\$247,181
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization.....	47,268
CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Decrease in subscribers and other receivables.....	21,038
Increase in prepaid expenses and other current assets.....	(52,746)
Increase in accounts payable.....	9,866
Increase in accrued expenses.....	3,127
	-----
Net cash provided by operating activities.....	275,734
	-----
CASH FLOWS FOR INVESTING ACTIVITIES	
Capital expenditures.....	(61,308)
	-----
Cash flows for financing activities	
Repayment of long-term debt.....	(560,500)
	-----
Net increase in cash and cash equivalents.....	(346,074)
	-----
Cash and cash equivalents, beginning of the period.....	761,918
	-----
Cash and cash equivalents, end of the period.....	\$415,844
	=====
SUPPLEMENTAL DISCLOSURES	
Cash paid during the period for:	
Interest.....	\$ 6,939
	=====

The accompanying notes are an integral part of these financial statements.

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

## 1. ORGANIZATION AND NATURE OF BUSINESS

The Partnership is a Massachusetts limited partnership created pursuant to a Limited Partnership Agreement, dated as of October 1, 1986, as amended (the "Partnership Agreement"), by and among (1) Amrac Telecommunications as the general partner (the "General Partner"), (2) Clear View Cablevision, Inc. as the class A limited partner (the "Class A Limited Partner"), (3) Schuparra Properties, Inc., as the class B limited partner (the "Class B Limited Partner"), and (4) those persons admitted to the Partnership from time to time as investor limited partners (the "Investor Limited Partner").

The Partnership provides cable television service to the towns of Hadley and Belchertown located in western Massachusetts. At May 28, 1998, the Partnership provided services to approximately 5,100 customers residing in those towns.

The Partnership's cable television systems offer customer packages of basic and cable programming services which are offered at a per channel charge or are packaged together to form a tier of services offered at a discount from the combined channel rate. The Partnership's cable television systems also provide premium television services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium television services, which constitute the principal sources of revenue for the Partnership.

On October 7, 1997, the Partnership entered into a definitive agreement with Avalon Cable of New England LLC ("Avalon New England") whereby Avalon New England would purchase the assets and operations of the Partnership for \$7,500,000. This transaction was consummated and became effective on May 29, 1998. The assets and liabilities at May 28, 1998, have not been adjusted or reclassified to reflect this transaction.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure for contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reported period. Actual results may vary from estimates used.

## Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less.

## Revenue Recognition

Revenue is recognized as cable television services are provided.

## Concentration of Credit Risk

Financial instruments which potentially expose the Partnership to a concentration of credit risk include cash, cash equivalents and subscriber and other receivables. The Partnership does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Partnership extends credit to customers on an unsecured basis in the normal course of business. The Partnership maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations.

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

## Property and Equipment

Property and equipment is stated at cost. Initial subscriber installation costs, including material, labor and overhead costs, are capitalized as a component of cable plant and equipment. Depreciation is computed for financial statement purposes using the straight-line method based upon the following lives:

Cable plant and equipment.....	10 years
Office furniture and equipment.....	5 to 10 years
Vehicles.....	6 years

## Financial Instruments

The Partnership estimates that the fair value of all financial instruments at May 28, 1998 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

## Income Taxes

The Partnership is not subject to federal and state income taxes. Accordingly, no recognition has been given to income taxes in the accompanying financial statements of the Partnership since the income or loss of the Partnership is to be included in the tax returns of the individual partners.

## Allocation of Profits and Losses and Distributions of Cash Flow

Partnership profits and losses (other than those arising from capital transactions, described below) and distributions of cash flow are allocated 94% to the Investor Limited Partners, 2.5% to the Class A Limited Partner, 1% to the Class B Limited Partner and 2.5% to the General Partner until Payout (as defined in the Partnership Agreement) and after Payout, 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner and 15% to the General Partner.

Partnership profits and capital transactions are allocated first, in proportion to the partners' respective capital accounts until their respective account balances are zero and second, in proportion to any distributed cash proceeds resulting from the capital transaction and third, any remaining profit, if any, is allocated 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner, and 15% to the General Partner.

Partnership losses from capital transactions are allocated first, in proportion to the partners' respective capital accounts until their respective account balances are zero and, second, any remaining loss, if any, is allocated 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner, and 15% to the General Partner.

## New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in financial statements. SFAS No. 130 states that comprehensive income includes reported net income of a company, adjusted for items that are currently accounted for as direct entries to equity, such as the net unrealized gain or loss on securities available for sale. SFAS No. 130 is effective for both interim and annual periods beginning after December 15, 1997. Management does not anticipate that adoption of SFAS No. 130 will have a material effect on the financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which establishes standards for reporting by public companies about operating segments of their business. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for periods beginning after



## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

December 15, 1997. Management does not anticipate that the adoption of SFAS No. 131 will have a material effect on the financial statements.

## 3. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At May 28, 1998, prepaid expenses and other current assets consist of the following:

Deferred transaction costs.....	\$ 91,024
Other.....	37,980
	-----
	\$129,004
	=====

Deferred transaction costs consist primarily of attorney fees related to the sale of assets of the Partnership (Note 1).

## 4. PROPERTY, PLANT AND EQUIPMENT

At May 28, 1998, property, plant and equipment consists of the following:

Cable plant and equipment.....	\$ 3,460,234
Office furniture and equipment.....	52,531
Vehicles.....	32,468
	-----
	3,545,233
Accumulated depreciation.....	(3,062,099)
	-----
	\$ 483,134
	=====

Depreciation expense was \$47,018 for the period from January 1, 1998 through May 28, 1998.

## 5. ACCRUED EXPENSES

At May 28, 1998, accrued expenses consist of the following:

Accrued compensation and benefits.....	\$17,004
Accrued programming costs.....	24,883
Accrued legal costs.....	25,372
Other.....	17,136
	-----
	\$84,395
	=====

## 6. LONG-TERM DEBT

The Partnership repaid its term loan, due to a bank, on January 15, 1998. Interest on the loan was paid monthly and accrued at the bank's prime rate plus 2% (10.5% at December 31, 1997). The loan was collateralized by substantially all of the assets of the Partnership and a pledge of all partnership interests. The total principal outstanding at December 31, 1997 was \$560,500.

## 7. COMMITMENTS AND CONTINGENCIES

The Partnership rents poles from utility companies for use in its operations. These rentals amounted to approximately \$15,918 of rent expense during the period. While rental agreements are generally short-term, the Partnership anticipates such rentals will continue in the future. The Partnership leases office facilities and various items of equipment under month-to-month operating leases. Rental expense under operating leases amounted to \$8,171 during the period.

The operations of the Partnership are subject to regulation by the Federal Communications Commission and various franchising authorities.



## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

From time to time the Partnership is also involved with claims that arise in the normal course of business. In the opinion of management, the ultimate liability with respect to these claims will not have a material adverse effect on the operations, cash flows or financial position of the Partnership.

**8. RELATED PARTY TRANSACTIONS**

The General Partner provides management services to the Partnership for which it receives a management fee of 5% of revenue. The General Partner also allocates, in accordance with a management agreement, certain general, administrative and payroll costs to the Partnership. For the period from January 1, 1998 through May 28, 1998, management fees totaled \$41,674 and allocated general, administrative and payroll costs totaled \$3,625, which are included in selling general and administrative expenses.

The Partnership believes that these fees and allocations were made on a reasonable basis. However, the amounts paid are not necessarily indicative of the level of expenses that might have been incurred had the Partnership contracted directly with third parties. The Partnership has not attempted to obtain quotes from third parties to determine what the cost of obtaining such services from third parties would have been.

## INDEPENDENT AUDITORS' REPORT

To the Partners of  
AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

We have audited the accompanying balance sheets of Amrac Clear View, a Limited Partnership as of December 31, 1996 and 1997, and the related statements of net earnings, changes in partners' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amrac Clear View, a Limited Partnership as of December 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ GREENFIELD, ALTMAN, BROWN, BERGER &  
KATZ, P.C.

Canton, Massachusetts  
February 13, 1998

F-439

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

BALANCE SHEETS  
AT DECEMBER 31, 1996 AND 1997

1996	1997	ASSETS	
		CURRENT ASSETS:	
		Cash and cash equivalents.....	
		\$ 475,297	\$ 761,918
		Subscribers and other receivables, net of allowance for doubtful accounts of \$2,500 in 1996 and \$3,000 in 1997....	
49,868	66,397	Prepaid expenses:	
		Legal.....	
		-- 53,402	
		Miscellaneous.....	
28,016	20,633	----- Total current assets.....	
		553,181	
902,350		----- Property and equipment, net of accumulated depreciation \$2,892,444 in 1996 and \$3,015,081 in 1997.....	
473,438	468,844	-----	
		----- OTHER ASSETS: Franchise cost, net of accumulated amortization of \$6,757 in 1996 and \$7,417 in 1997.....	
3,133	2,473		
		Deferred financing costs, net of accumulated amortization of \$60,247 in 1996 and \$73,447 in 1997.....	
13,200	--	-----	
-- 16,333	2,473	----- \$1,042,952	
\$1,373,667	=====	===== LIABILITIES AND PARTNERS' EQUITY	
		CURRENT LIABILITIES: Current maturities of long-term debt.....	
\$ 356,500	\$ 397,500	Accounts payable-trade.....	
34,592		47,949 Accrued expenses:	
		Utilities.....	
		59,668	--
		Miscellaneous.....	
50,074	81,268	----- Total current liabilities.....	
		500,834	
526,717		----- Long-term debt, net of current maturities.....	
488,000	163,000	-----	
		----- Commitments and contingencies (Note 4) Partners'	
		equity.....	
54,118			
683,950	-----	\$1,042,952	\$1,373,667
	=====	=====	

See notes to financial statements  
F-440

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENTS OF NET EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

1995	1996	1997	
Revenues.....			
\$1,701,322	\$1,807,181	\$1,902,080	Less cost of service..... 644,736
656,881	687,433		Net revenues.....
1,056,586	1,150,300	1,214,647	
			Operating expenses excluding management fees and depreciation and amortization..... 330,574 388,284
			351,031 Management fees..... 94,317
			96,742 101,540 Depreciation and amortization..... 330,913 340,166
136,497			755,804
825,192	589,068		
			Earnings from operations..... 300,782
325,108	625,579		
			OTHER EXPENSES (INCOME): Interest income..... --
			(7,250) (23,996) Interest expense..... 130,255
			98,603 70,738 Utility refunds..... -- --
(50,995)			130,255
91,353	(4,253)		Net earnings..... \$
170,527	\$ 233,755	\$ 629,832	=====
			=====

See notes to financial statements  
F-441

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY (DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

	CLASS A PARTNER	CLASS B PARTNER	INVESTOR PARTNERS	GENERAL LIMITED PARTNER TOTAL
-----				
----- Partners' deficit at December 31,				
1994.....				
	\$(31,012)	\$(31,012)		\$(12,405)
	\$(211,905)	\$(286,334)		Net earnings
			4,263	for the year.....
	4,263	1,705	160,296	170,527
	Partners' distributions during the			
year.....				
	(1,596)	(1,596)	(638)	(60,000)
	(63,830)	-----		
	----- Partners'			
	deficit at December 31,			
1995.....				
	(28,345)	(28,345)	(11,338)	(111,609)
	(179,637)	Net earnings for the		
year.....	5,844	5,844	2,337	
	219,730	233,755	-----	
	-----			
	Partners' equity (deficit) at			
	December 31,			
1996.....				
	(22,501)	(22,501)	(9,001)	108,121
	54,118	Net earnings for the		
year.....	15,745	15,745		
	6,298	592,044	629,832	-----
	-----			
	Partners' equity (deficit) at			
	December 31,			
1997.....				\$
	(6,756)	\$(6,756)	\$(2,703)	\$
	700,165	\$683,950	=====	=====
	=====	=====	=====	=====

See notes to financial statements  
F-442

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

1995	1996	1997	
----- CASH FLOWS			
FROM OPERATING ACTIVITIES Net			
earnings.....			\$
170,527	\$ 233,755	\$ 629,832	Adjustments to reconcile
net earnings to net cash provided by operating			
activities: Depreciation and			
amortization.....	330,913	340,166	
136,497	Changes in assets and liabilities: (Increase)		
decrease in: Subscribers and other			
receivables.....	4,573	(12,093)	
(16,529) Prepaid			
expenses.....			
(3,378)	(9,468)	(46,019)	Increase (decrease) in
accounts payable and accrued			
expenses.....			
(66,424)	69,262	(15,117)	-----
Net cash provided by operating			
activities.....	436,211	621,622	688,664
----- CASH FLOWS FOR INVESTING			
ACTIVITIES Purchases of			
equipment.....	(116,794)		
(74,879)	(118,043)		----- CASH
FLOWS FOR FINANCING ACTIVITIES Repayment of long-term			
debt.....	(239,250)	(260,750)	
(284,000) Distributions to			
partners.....	(63,830)		-----
----- Net cash used by financing			
activities.....	(303,080)	(260,750)	
(284,000)	----- Net increase in		
cash and cash equivalents..... 16,337 285,993			
286,621 Cash and cash equivalents, beginning of			
year.....	172,967	189,304	475,297
----- Cash and cash equivalents, end of			
year.....	\$ 189,304	\$ 475,297	\$ 761,918
===== SUPPLEMENTAL DISCLOSURES			
Cash paid during the year for:			
Interest.....			
\$ 133,540	\$ 94,038	\$ 73,124	=====
=====			

See notes to financial statements  
F-443



## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

## 1. SUMMARY OF BUSINESS ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of Amrac Clear View, a Limited Partnership (the "Partnership"), is presented to assist in understanding the Partnership's financial statements. The financial statements and notes are representations of the Partnership's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## Operations:

The Partnership provides cable television service to the residents of the towns of Hadley and Belchertown in western Massachusetts.

## Credit concentrations:

The Partnership maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At various times during the year the Partnership's cash balances exceeded the federally insured limits.

Concentration of credit risk with respect to subscriber receivables are limited due to the large number of subscribers comprising the Partnership's customer base.

## Property and equipment/depreciation:

Property and equipment are carried at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Total depreciation for the years ended December 31, 1995, 1996 and 1997 was \$321,872, \$331,707 and \$122,637, respectively.

## Other assets/amortization:

Amortizable assets are recorded at cost. The Partnership amortizes intangible assets using the straight-line method over the useful lives of the various items. Total amortization for the years ended December 31, 1995, 1996 and 1997 was \$9,041, \$8,459 and \$13,860, respectively.

## Cash equivalents:

For purposes of the statements of cash flows, the Partnership considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 1995 and 1997. Cash equivalents at December 31, 1996, amounted to \$300,000.

## Advertising:

The Partnership follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$1,681, \$1,781 and \$2,865 for the years ended December 31, 1995, 1996 and 1997, respectively.

## Income taxes:

The Partnership does not incur a liability for federal or state income taxes. The current income or loss of the Partnership is included in the taxable income of the partners, and therefore, no provision for income taxes is reflected in the financial statements.

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

## Revenues:

The principal sources of revenues are the monthly charges for basic and premium cable television services and installation charges in connection therewith.

## Allocation of profits and losses and distributions of cash flow:

Partnership profits and losses, (other than those arising from capital transactions, described below), and distributions of cash flow are allocated 94% to the Investor Limited Partners, 2.5% to the Class A Limited Partner, 1% to the Class B Limited Partner and 2.5% to the General Partner until Payout (as defined in the Partnership Agreement) and after Payout, 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner and 15% to the General Partner.

Partnership profits from capital transactions are allocated first, in proportion to the partners' respective capital accounts until their respective account balances are zero and second, in proportion to any distributed cash proceeds resulting from the capital transaction and third, any remaining profit, if any, is allocated 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner, and 15% to the General Partner.

Partnership losses from capital transactions are allocated first, in proportion to the partners' respective capital accounts until their respective account balances are zero and, second, any remaining loss, if any, is allocated 65% to the Investor Limited Partners, 15% to the Class A Limited Partner, 5% to the Class B Limited Partner, and 15% to the General Partner.

## 2. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31:

1996	1997	-----	-----	Cable plant and equipment.....	\$3,274,684
				\$3,391,750 Office furniture and equipment.....	63,373 64,350
				Vehicles.....	
				27,825 27,825 -----	\$3,365,882
				\$3,483,925 =====	=====

Depreciation is provided over the estimated useful lives of the above items as follows:

Cable plant and equipment.....	10 years
Office furniture and equipment.....	5-10 years
Vehicles.....	6 years

## 3. LONG-TERM DEBT:

The Partnership's term loan, due to a bank, is payable in increasing quarterly installments through June 30, 1999. Interest on the loan is paid monthly and accrues at the bank's prime rate plus 2% (10.5% at December 31, 1997). The loan is collateralized by substantially all of the assets of the Partnership and a pledge of all partnership interests. The total principal outstanding at December 31, 1997 was \$560,500.

Annual maturities are as follows:

1998.....	\$397,500
1999.....	163,000
	-----
	\$560,500
	=====

The loan agreement contains covenants including, but not limited to,

maintenance of certain debt ratios as well as restrictions on capital expenditures and investments, additional indebtedness, partner distributions and payment of management fees. The Partnership was in compliance with all covenants at December 31,

F-445

## AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

1996 and 1997. In 1995, the Partnership obtained, from the bank, unconditional waivers of the following covenant violations: (1) to make a one-time cash distribution of \$63,830, (2) to increase the capital expenditure limit to \$125,000, and (3) to waive certain other debt ratio and investment restrictions, which were violated during the year.

## 4. COMMITMENTS AND CONTINGENCIES:

The Partnership rents poles from utility companies in its operations. These rentals amounted to approximately \$31,000, \$39,500 and \$49,000 for the years ended December 31, 1995, 1996 and 1997, respectively. While rental agreements are generally short-term, the Partnership anticipates such rentals will continue in the future.

The Partnership leases a motor vehicle under an operating lease that expires in December 1998. The minimum lease cost for 1998 is approximately \$6,000.

## 5. RELATED-PARTY TRANSACTIONS:

The General Partner provides management services to the Partnership for which it receives a management fee of 5% of revenue. The General Partner also allocates, in accordance with a management agreement, certain general, administrative and payroll costs to the Partnership. For the years ended December 31, 1995, 1996 and 1997, management fees totaled \$87,800, \$90,242 and \$95,040, respectively and allocated general, administrative and payroll costs totaled \$7,200, \$7,450 and \$8,700, respectively. During each year the Partnership also incurred tap audit fees payable to the General Partner totaling \$4,000. At December 31, 1996, the balance due from the General Partner was \$12,263. The balance due to Amrac Telecommunications at December 31, 1997 was \$4,795.

## 6. SUBSEQUENT EVENTS:

On October 7, 1997, the Partnership entered into an agreement with another cable television service provider to sell all of its assets for \$7,500,000. The Partnership received, in escrow, \$250,000, which shall be released as liquidating damages if the closing fails to occur solely as a result of a breach of the agreement. As of December 31, 1997, the Partnership incurred \$53,402 in legal costs associated with the sale which are included in prepaid expenses. Subject to certain regulatory approvals, it is anticipated that the transaction will be consummated in the Spring of 1998.

On January 15, 1998, the Partnership paid, prior to the maturity date, its outstanding term loan due to a bank as described in Note 3.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of  
Avalon Cable of New England LLC

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, changes in stockholder's deficit and cash flows present fairly, in all material respects, the financial position of the Combined Operations of Pegasus Cable Television of Connecticut, Inc. and the Massachusetts Operations of Pegasus Cable Television, Inc. at December 31, 1996 and 1997 and June 30, 1998, and the results of their operations, changes in stockholder's deficit and their cash flows for each of the three years in the period ended December 31, 1997 and for the six months ended June 30, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania  
March 30, 1999

F-447

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

## COMBINED BALANCE SHEETS

DECEMBER 31, -----	JUNE 30,
1996 1997 1998 -----	-----
ASSETS CURRENT ASSETS: Cash and cash	
equivalents.....	\$ 389,097 \$
1,092,084 \$ 1,708,549 Accounts receivable, less	
allowance for doubtful accounts at December 31,	
1996 and 1997 and June 30, 1998 of \$11,174, \$3,072	
and \$0,	
respectively.....	140,603 116,112 144,653
Prepaid expenses and	
other.....	62,556 90,500
92,648 -----	-----
Total	
current assets.....	592,256 1,298,696 1,945,850
Property and equipment,	
net.....	4,164,545 3,565,597
3,005,045 Intangible assets,	
net.....	2,174,084
2,096,773 1,939,904 Accounts receivable,	
affiliates.....	4,216,682 5,243,384
5,692,013 Deposits and	
other.....	436,382
456,135 406,135 -----	-----
Total	
assets.....	\$11,583,949 \$12,660,585 \$12,988,947 =====
=====	=====
LIABILITIES AND	
STOCKHOLDER'S DEFICIT CURRENT LIABILITIES: Current	
portion of long-term debt.....	\$
71,744 \$ 34,272 \$14,993,581 Accounts	
payable.....	786,284
803,573 764,588 Accrued incentive	
compensation.....	117,692 149,823
220,724 Accrued franchise	
fees.....	193,369 173,735
86,332 Accrued pole	
rental.....	83,910
78,345 52,954 Accrued	
expenses.....	383,572 203,561 42,038 -----
-----	-----
Total current	
liabilities.....	1,636,571
1,443,309 16,160,217 Long-term debt,	
net.....	15,043,763
15,018,099 -- Accrued	
interest.....	2,811,297 4,685,494 5,622,593
Other.....	299,030 299,030 299,030 -----
-----	-----
Total	
liabilities.....	19,790,661 21,445,932 22,081,840
Commitments and	
contingent liabilities.....	-- -- --
STOCKHOLDER'S DEFICIT: Common stock-par value \$1	
per share; 10,000 shares authorized; 7,673 shares	
issued and outstanding... 7,673 7,673 7,673	
Accumulated	
deficit.....	(8,214,385) (8,793,020) (9,100,566) -----
-----	-----
Total stockholder's	
deficit.....	(8,206,712)
(8,785,347) (9,092,893) -----	-----
-----	-----
Total liabilities and stockholder's	
deficit.....	\$11,583,949 \$12,660,585
\$12,988,947 =====	=====

See accompanying notes to combined financial statements  
F-448

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC. AND THE  
MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

COMBINED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, SIX MONTHS -

	1995	1996	1997	JUNE 30, 1998
----- ENDED 1995 1996 1997 JUNE 30, 1998 -----				
----- REVENUES: Basic and satellite service..... \$				
4,371,736 \$ 4,965,377 \$ 5,353,735				
\$2,841,711 Premium services.....				
619,035 640,641 686,513 348,628				
Other.....				
144,300 169,125 150,714 86,659 -----				
-----				
----- Total				
revenues.....				
5,135,071 5,775,143 6,190,962				
3,276,998 OPERATING EXPENSES:				
Programming.....				
1,119,540 1,392,247 1,612,458 876,588				
General and administrative..... 701,420				
811,795 829,977 391,278 Technical and operations..... 713,239				
702,375 633,384 341,249 Marketing and selling..... 20,825				
15,345 19,532 12,041 Incentive compensation..... 48,794				
101,945 94,600 70,900 Management fees..... 368,085				
348,912 242,267 97,714 Depreciation and amortization..... 1,658,455				
1,669,107 1,565,068 834,913 -----				
-----				
-- Income from				
operations..... 504,713				
733,417 1,193,676 652,315 Interest expense.....				
(1,745,635) (1,888,976) (1,884,039)				
(937,662) Interest income..... 956				
2,067 93,060 29 Other income (expense), net..... 794 (2,645)				
(27,800) (17,228) -----				
----- Loss				
before state income taxes.....				
(1,239,172) (1,156,137) (625,103)				
(302,546) Provision for state income taxes..... 20,000 25,000 16,000				
5,000 -----				
----- Net				
loss.....				
\$(1,259,172) \$(1,181,137) \$ (641,103)				
\$ (307,546) =====				
=====				

See accompanying notes to combined financial statements  
F-449

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

COMBINED STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT

COMMON STOCK	-----	TOTAL
NUMBER OF PAR ACCUMULATED STOCKHOLDER'S	SHARES	VALUE DEFICIT DEFICIT
-----	-----	-----
Balances at January 1,		
1995.....	7,673	\$7,673
	\$(5,774,076)	\$(5,766,403) Net
loss.....		
-- --	(1,259,172)	(1,259,172) -----
----- Balances at		
December 31, 1995.....	7,673	7,673
	7,673	(7,033,248) (7,025,575) Net
loss.....		
-- --	(1,181,137)	(1,181,137) -----
----- Balances at		
December 31, 1996.....	7,673	7,673
	7,673	(8,214,385) (8,206,712) Net
loss.....		
-- --	(641,103)	(641,103) Stock
		incentive compensation.....
-- --	62,468	62,468 -----
----- Balances at December		
31, 1997.....	7,673	7,673
	(8,793,020)	(8,785,347) Net
loss.....		
-- --	(307,546)	(307,546) -----
----- Balances at June		
30, 1998.....	7,673	7,673
	\$7,673	\$(9,100,566) \$(9,092,893) =====
	=====	=====

See accompanying notes to combined financial statements  
F-450



THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, SIX MONTHS - ---

ENDED 1995 1996 1997 JUNE 30, 1998 -----

---- CASH FLOWS FROM OPERATING  
ACTIVITIES: Net

loss.....  
\$(1,259,172) \$(1,181,137) \$ (641,103) \$  
(307,546) Adjustments to reconcile net  
loss to net cash provided by operating  
activities: Depreciation and  
amortization..... 1,658,455  
1,669,107 1,565,068 834,913 Bad debt  
expense.....  
26,558 48,566 45,839 36,074 Change in  
assets and liabilities: Accounts  
receivable.....  
(75,263) (88,379) (21,348) (64,615)  
Prepaid expenses and  
other..... (403,212) 75,208  
(27,944) (2,148) Accounts payable and  
accrued expenses..... 239,207 981,496  
(93,322) 221,219 Accrued  
interest.....  
902,006 1,874,198 1,874,197 937,099  
Deposits and

other..... 83,431 --  
(19,753) 50,000 -----

----- Net cash provided  
by operating activities... 1,172,010  
3,379,059 2,681,634 1,704,996 -----

----- CASH  
FLOWS FROM INVESTING ACTIVITIES: Capital  
expenditures.....

(163,588) (1,174,562) (691,269) (114,221)  
Purchase of intangible  
assets..... (127,340) (72,753)  
(197,540) (3,271) -----

----- Net cash used  
for investing activities..... (290,928)  
(1,247,315) (888,809) (117,492) -----

----- CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term  
debt..... 37,331 -- -- --  
Repayments of long-term  
debt..... (13,764) -- -- --  
(10,837) Capital lease

repayments..... (19,764)  
(52,721) (63,136) (47,952) Advances to  
affiliates, net.....  
(404,576) (2,562,295) (1,026,702)  
(912,250) -----

----- Net cash used by  
financing activities..... (400,773)  
(2,615,016) (1,089,838) (971,039) -----

-----  
Net increase in cash and cash  
equivalents... 480,309 (483,272) 702,987  
616,465 Cash and cash equivalents,  
beginning of

year.....  
392,060 872,369 389,097 1,092,084 -----

-----  
Cash and cash equivalents, end of  
year..... \$ 872,369 \$ 389,097 \$  
1,092,084 \$1,708,549 =====

===== SUPPLEMENTAL CASH FLOW INFORMATION: Cash  
paid during the year for interest..... \$  
843,629 \$ 14,778 \$ 9,842 \$ 563 Cash paid  
during the year for income

taxes.....

-- -- \$ 9,796 \$ 25,600 Supplemental Non-  
Cash Investing and Financing Activities:  
Capital contribution and related accrued  
incentive  
compensation..... -- -- \$  
62,468 -- Acquisition of plant under  
capital leases... \$ 298,250 \$ 48,438 -- -  
-

See accompanying notes to combined financial statements  
F-451

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

These financial statements reflect the results of operations and financial position of Pegasus Cable Television of Connecticut, Inc. ("PCT-CT"), a wholly owned subsidiary of Pegasus Cable Television, Inc. ("PCT"), and the Massachusetts Operations of Pegasus Cable Television, Inc. ("PCT-MA" or the "Massachusetts Operations") (referred herein as the "Combined Operations"). PCT is a wholly owned subsidiary of Pegasus Media & Communications, Inc. ("PM&C"). PM&C is a wholly owned subsidiary of Pegasus Communications Corporation ("PCC").

On July 21, 1998, PCT sold the assets of its Combined Operations to Avalon Cable of New England, LLC. for \$30.1 million. In January 1997, PCT sold the assets of its only other operating division, a cable television system that provided service to individual and commercial subscribers in New Hampshire (the "New Hampshire Operations") for \$7.1 million.

In presenting the historical financial position, results of operations and cash flows of the Combined Operations, it has been necessary to eliminate the results and financial position of the New Hampshire Operations. Many items are identifiable as relating to the New Hampshire or Massachusetts divisions as PCT has historically separated results of operations as well as billing and collection activity. However, in certain areas, assumptions and estimates have been required in order to eliminate the New Hampshire Operations for periods prior to its sale. For purposes of eliminating the following balances: Prepaid expenses and other; Deposits and other; Accounts payable; and Accrued expenses, balances have been apportioned between the New Hampshire Operations and the Massachusetts Operations on the basis of subscriber counts. Amounts due to and due from affiliates have been allocated to PCT-MA and are included in these financial statements.

Prior to October 1996, BDI Associates, L.P. provided substantial support services such as finance, accounting and human resources to PCT. Since October 1996, these services have been provided by PCC. All non-accounting costs of PCC are allocated on the basis of average time spent servicing the divisions, while the costs of the accounting function are allocated on the basis of revenue. In the opinion of management, the methods used in allocating costs from PCC are reasonable; however, the costs of these services as allocated are not necessarily indicative of the costs that would have been incurred by the Combined Operations on a stand-alone basis.

The financial information included herein may not necessarily reflect the results of operations, financial position and cash flows of the Combined Operations in the future or what they would have been had it been a separate, stand-alone entity during the periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingencies. Actual results could differ from those estimates.

Property and Equipment:

Property and equipment are stated at cost. The cost and related accumulated depreciation of assets sold, retired, or otherwise disposed of are removed from the respective accounts, and any resulting gains or losses are included in the statement of operations. Initial subscriber installation costs, including material, labor and overhead costs of the hookup, are capitalized as part of the distribution facilities. The costs of disconnection and reconnection are charged to expense.

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation is computed for financial reporting purposes using the straight-line method based upon the following lives:

Reception and distribution facilities.....	7 to 11 years
Building and improvements.....	12 to 39 years
Equipment, furniture and fixtures.....	5 to 10 years
Vehicles.....	3 to 5 years

Intangible Assets:

Intangible assets are stated at cost and amortized by the straight-line method. Costs of successful franchise applications are capitalized and amortized over the lives of the related franchise agreements, while unsuccessful franchise applications and abandoned franchises are charged to expense. Financing costs incurred in obtaining long-term financing are amortized over the term of the applicable loan. Intangible assets are reviewed periodically for impairment or whenever events or circumstances provide evidence that suggest that the carrying amounts may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the amortization of the respective intangible asset balance can be recovered through projected undiscounted future cash flows.

Amortization of intangible assets is computed for financial reporting purposes using the straight-line method based upon the following lives:

Organization costs.....	5 years
Other intangibles.....	5 years
Deferred franchise costs.....	15 years

Revenue:

The Combined Operations recognize revenue when video and audio services are provided.

Advertising Costs:

Advertising costs are charged to operations as incurred and totaled \$20,998, \$12,768, \$14,706 and \$8,460 for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998, respectively.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less. The Combined Operations have cash balances in excess of the federally insured limits at various banks.

Income Taxes:

The Combined Operations is not a separate tax paying entity. Accordingly, its results of operations have been included in the tax returns filed by PCC. The accompanying financial statements include tax computations assuming the Combined Operations filed separate returns and reflect the application of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109").

Concentration of Credit Risk:

Financial instruments which potentially subject the Combined Operations to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Combined Operation's customer base.

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	DECEMBER 31, 1997	DECEMBER 31, 1998	DECEMBER 31, 1996	JUNE 30, 1996
Land.....	\$ 8,000	\$ 8,000	\$ 8,000	
Reception and distribution facilities.....	8,233,341	9,009,179	9,123,402	
Building and improvements.....	242,369	250,891	250,891	
Equipment, furniture and fixtures.....	307,844	312,143	312,143	
Vehicles.....	259,503	287,504	287,504	
Other equipment.....	139,408	79,004	79,004	
-----	9,190,465	9,946,721	10,060,944	
Accumulated depreciation.....	(5,025,920)	(6,381,124)	(7,055,899)	
-----				
Net property and equipment.....	\$ 4,164,545	\$ 3,565,597	\$ 3,005,045	
=====				

Depreciation expense amounted to \$1,059,260, \$1,267,831, \$1,290,217 and \$674,775 for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998, respectively.

4. INTANGIBLES:

Intangible assets consist of the following:

	DECEMBER 31, 1996	DECEMBER 31, 1997	DECEMBER 31, 1998	JUNE 30, 1996
Deferred franchise costs.....	\$4,367,594	\$ 4,486,016	\$4,486,333	
Deferred financing costs.....	1,042,079	1,156,075	1,159,027	
Organization and other costs.....	389,187	389,187	439,188	
-----	5,848,861	6,031,278	6,034,547	
-----				
Accumulated amortization.....	(3,674,777)	(3,934,505)	(4,094,643)	
-----				
Net intangible assets.....	\$2,174,084	\$ 2,096,773	\$1,939,904	
=====				

Amortization expense amounted to \$599,195, \$401,276, \$274,851 and \$160,138 for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998, respectively.

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

5. LONG-TERM DEBT:

Long-term debt consists of the following at:

	DECEMBER 31, 1996	DECEMBER 31, 1997	DECEMBER 31, 1998	JUNE 30, 1998
-----				
----- Note payable to PM&C, payable by PCT, interest is payable quarterly at an annual rate of 12.5%. Principal is due on July 1, 2005. The note is collateralized by substantially all of the assets of the Combined Operations and imposes certain restrictive covenants.....	\$14,993,581	\$14,993,581	\$14,993,581	\$14,993,581
Capital lease obligations.....	121,926	58,790	---	---
-----				
----- 15,115,507	15,052,371	14,993,581	14,993,581	14,993,581
Less current maturities.....	71,744	34,272	14,993,581	---
-----				
----- Long-term debt.....	\$15,043,763	\$15,018,099	\$ ---	\$ ---
=====				

6. LEASES:

The Combined Operations lease utility pole attachments and occupancy of underground conduits. Rent expense for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998 was \$184,386, \$185,638, \$173,930 and \$90,471, respectively. The Combined Operations lease equipment under long-term leases and have the option to purchase the equipment for a nominal cost at the termination of the leases. The related obligations are included in long-term debt. There are no future minimum lease payments on capital leases at June 30, 1998. Property and equipment that was leased include the following amounts that have been capitalized:

	DECEMBER 31, 1996	DECEMBER 31, 1997	1996	1997
-----				
----- Billing and phone systems.....	\$ 56,675	\$ ---	\$ ---	\$ ---
	56,675			
Vehicles.....	166,801	129,227	223,476	185,902
			Accumulated	
depreciation.....	(69,638)	(101,397)		
Total.....	\$153,838	\$ 84,505	=====	=====

7. RELATED PARTY TRANSACTIONS:

The Combined Operations pay management fees to various related parties. The management fees are for certain administrative and accounting services, billing and programming services, and the reimbursement of expenses incurred therewith. For the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998, the fees and expenses were \$368,085, \$348,912, \$242,267 and \$97,714, respectively.

As described in Note 5, PCT has an outstanding loan from its parent company. This loan has been allocated to PCT-MA and is included in these financial statements. Interest expense on that loan was \$916,274, \$1,874,198, \$1,874,195 and \$937,098 for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998 respectively. Other related party transaction balances at December 31, 1996 and 1997 and June 30, 1998 included \$4,216,682, \$5,243,384 and \$5,692,013 in accounts receivable, affiliates; \$581,632, \$6,433 and \$331,374 in accounts payable; and \$299,030, \$299,030 and \$299,030 in other liabilities, respectively. These related party balances arose primarily as a result of financing capital expenditures, interest payments, programming and other operating expenses.

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

8. INCOME TAXES:

The deferred income tax assets and liabilities recorded in the balance sheet are as follows:

DECEMBER 31, 1996	DECEMBER 31, 1997	JUNE 30, 1998	
----- ASSETS:-----			
Excess of tax basis over book basis from tax gain recognized upon incorporation of PCT And PCT-CT...			
\$ 707,546	\$ 707,546	\$ 707,546	Loss
carryforwards.....			
1,324,236	1,039,849	957,318	
Other.....			
6,997	11,856	11,856	-----
----- Total deferred tax assets..... 2,038,779			
1,759,251	1,676,720		-----
----- LIABILITIES: Excess of book basis over tax basis of property, plant and equipment and intangible asset.....			
(258,311)	(294,934)		
(335,014)			
Other.....			
(118,086)	(134,859)	(135,267)	-----
----- Total deferred tax liabilities..... (376,397)			
(429,793)	(470,281)		-----
----- Net deferred tax assets..... 1,662,382			
1,329,458	1,206,439		Valuation allowance.....
(1,662,382)	(1,329,458)	(1,206,439)	-----
----- Net deferred tax liabilities..... \$ -- \$ - -- \$ -			
-----			

The Combined Operations have recorded a valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized due to the expiration of deferred tax assets related to the incorporation of PCT and PCT-CT and the expiration of net operating loss carryforwards.

9. EMPLOYEE BENEFIT PLANS:

The Company employees participate in PCC's stock option plan that awards restricted stock (the "Restricted Stock Plan") to eligible employees of the Company.

Restricted Stock Plan

The Restricted Stock Plan provides for the granting of restricted stock awards representing a maximum of 270,000 shares (subject to adjustment to reflect stock dividends, stock splits, recapitalizations and similar changes in the capitalization of PCC) of Class A Common Stock of the Company to eligible employees who have completed at least one year of service. Restricted stock received under the Restricted Stock Plan vests over four years. The Plan terminates in September 2006. The expense for this plan amounted to \$82,425, \$80,154 and \$63,533 in 1996 and 1997 and for the six months ended June 30, 1998, respectively.

401(k) Plans

Effective January 1, 1996, PM&C adopted the Pegasus Communications Savings Plan (the "US 401(k) Plan") for eligible employees of PM&C and its domestic subsidiaries. Substantially all Company employees who, as of the enrollment date under the 401(k) Plans, have completed at least one year of service with the Company are eligible to participate in one of the 401(k) Plans. Participants may make salary deferral contributions of 2% to 6% of their salary to the 401(k) Plans. The expense for this plan amounted to \$19,520, \$14,446 and \$7,367 in 1996 and 1997 and for the six months ended June 30, 1998, respectively.

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.  
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

All employee contributions to the 401(k) Plans are fully vested at all times and all Company contributions, if any, vest 34% after two years of service with the Company (including years before the 401(k) Plans were established), 67% after three years of service and 100% after four years of service. A participant also becomes fully vested in Company contributions to the 401(k) Plans upon attaining age 65 or upon his or her death or disability.

10. COMMITMENTS AND CONTINGENT LIABILITIES:

Legal Matters:

The operations of PCT-CT and PCT-MA are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

From time to time the Combined Operations are also involved with claims that arise in the normal course of business. In the opinion of management, the ultimate liability with respect to these claims will not have a material adverse effect on the operations, cash flows or financial position of the Combined Operations.



## INDEPENDENT AUDITORS' REPORT

The Common Member and Manager  
BRESNAN COMMUNICATIONS GROUP LLC:

We have audited the accompanying consolidated balance sheets of Bresnan Communications Group LLC and its subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of operations and members' equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Bresnan Communications Group LLC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bresnan Communications Group LLC, as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado  
January 28, 2000, except as to Note 8,  
which is as of February 14, 2000

F-458

## BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 1998 AND 1999

1998	1999	(AMOUNTS IN THOUSANDS)	
ASSETS			
Cash and cash equivalents..... \$ 6,636 \$ 5,995			
Restricted cash (note 3)..... 47,199 290			
Trade and other receivables, net..... 8,874 9,006			
Property and equipment, at cost: Land and buildings..... 4,123 6,879			
Distribution systems..... 443,114 534,812			
Support equipment..... 50,178 62,283			
Less accumulated depreciation..... 190,752 228,868			
Franchise costs, net..... 291,103 328,068			
Other assets, net of amortization..... 3,961 19,038			
----- Total			
assets..... \$664,436 \$737,503			
===== LIABILITIES AND MEMBERS' EQUITY			
(DEFICIT)			
Accounts payable..... \$ 3,193 \$ 18,900			
Accrued expenses..... 13,395 35,613			
Accrued interest..... 21,835 11,748			
Debt..... 232,617 895,607			
Other liabilities.....			
Total..... 11,648 10,020			
Liabilities..... 282,688 971,888			
Members' equity (deficit)..... 381,748 (234,385)			
Commitments and contingencies			
Total liabilities and members' equity (deficit)..... \$664,436 \$737,503			
=====			

See accompanying notes to consolidated financial statements.

## BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)  
 YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

1997	1998	1999		(AMOUNTS IN THOUSANDS)
REVENUE.....				
\$247,108	\$ 261,964	\$ 283,574	Operating costs and expenses: Programming (note 6).....	53,857 63,686 72,355
Operating.....				
31,906	28,496	31,624	Selling, general and administrative (note 6).....	50,572 56,634 67,351
Organizational and divestiture costs.....			-- 1,934	5,281
Depreciation and amortization.....				53,249 54,308
59,752				189,584 205,058
236,363				Operating income.....
				57,524 56,906
47,211			OTHER INCOME (EXPENSE): Interest expense: Related party (note 4).....	(1,892) (1,872) (152)
			Other.....	
(16,823)	(16,424)	(67,139)	Gain on sale of cable television systems.....	-- 27,027 556
Other, net.....				(978)
(273)	(900)			(19,693)
8,458	(67,635)			Net earnings (loss).....
				37,831
65,364	(20,424)		MEMBERS' EQUITY (DEFICIT): Beginning of year.....	347,188
359,098	381,748		Operating expense allocations and charges (notes 4 and 6).....	60,389
71,648	--		Net assets of acquired system (note 3).....	33,635
--	--		Capital contributions by members.....	-- -- 136,500
--	--		Capital distributions to members.....	-- --
			(732,209) Cash transfers, net.....	(119,945)
(114,362)	--			End of year.....
\$359,098	\$ 381,748	\$(234,385)	===== =====	===== =====

See accompanying notes to consolidated financial statements.

## BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

1997	1998	1999	-----	-----	-----
(AMOUNTS IN THOUSANDS) CASH FLOWS FROM OPERATING					
ACTIVITIES: Net earnings					
(loss).....	\$				
37,831	\$ 65,364	\$ (20,424)			
Adjustments to reconcile net cash provided by operating activities: Depreciation and amortization.....					
59,752	53,249	54,308			
Amortization of debt discount and deferred financing costs.....					
1,629	534	18,683			
Gain on sale of cable television systems.....					
	--	(27,027)	(556)		
Other noncash charges.....					
2,141	452	--			
Changes in operating assets and liabilities, net of effects of acquisitions: Change in receivables.....					
	(3,413)	2,826	621		
Change in other assets.....					
	164	--	429		
Change in accounts payable, accrued expenses, accrued interest and other liabilities.....					
	2,305	6,141	25,457		
Other, net.....					
(1,358)	(237)	--			
Net cash provided by operating Activities.....					
92,548	102,361	83,962			
CASH FLOWS FROM INVESTING ACTIVITIES: Capital expended for property and equipment and for franchise costs.....					
	(35,282)	(58,728)	(90,879)		
Cash paid in acquisitions.....					
	(30,298)	(78,680)			
Cash received in disposals.....					
	58,949	4,956			
Change in restricted cash.....					
46,999	--	--			
Net cash used in investing activities.....					
(77,276)	(117,604)				
CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings under note agreement.....					
	31,300	49,400	597,530		
Proceeds from Senior Notes.....					
	--	--	170,000		
Proceeds from Senior Discount Notes.....					
	--	--	175,021		
Repayments under note agreement.....					
	(30,953)	(294,672)			
Deferred finance costs paid.....					
	(19,169)		(2,121)	(1,139)	
Contributions by members.....					
	136,500				
Distributions to members.....					
	(42,714)	(732,209)			
Net cash provided by (used in) financing activities.....					
(54,741)	(25,406)	33,001			
Net increase (decrease) in cash.....					
	3,704	(321)	(641)		
CASH AND CASH EQUIVALENTS: Beginning of year.....					
	6,957	6,636			
End of year.....					
\$ 6,957	\$ 6,636	\$ 5,995			
Supplemental disclosure of cash flow information --					
Cash paid during the year for interest.....					
	\$ 16,971	\$ 16,792			
	58,695				

See accompanying notes to consolidated financial statements.

BRESNAN COMMUNICATIONS GROUP LLC  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 1997, 1998 AND 1999

(AMOUNTS IN THOUSANDS)

(1) BASIS OF PRESENTATION

Bresnan Communications Group LLC and its subsidiaries ("BCG" or the "Company") are wholly owned by Bresnan Communications Company Limited Partnership, a Michigan limited partnership ("BCCLP"). BCG is a Delaware limited liability corporation formed on August 5, 1998 for the purpose of acting as co-issuer with its wholly-owned subsidiary, Bresnan Capital Corporation ("BCC"), of \$170,000 aggregate principal amount at maturity of 8% Senior Notes and \$275,000 aggregate principal amount at maturity of 9.25% Senior Discount Notes, both due in 2009 (collectively the "Notes"). Also, at this time, BTC borrowed approximately \$508,000 of \$650,000 available under a new credit facility (the "Senior Credit Facility"). (See Note 4, Debt.) Prior to the issuance of the Notes on February 2, 1999, BCCLP completed the terms of a contribution agreement dated June 3, 1998, as amended, whereby certain affiliates of AT&T Broadband and Internet Services, formerly Tele-Communications, Inc. ("TCI"), contributed certain cable television systems along with assumed TCI debt of approximately \$708,854 to BCCLP which was repaid with the proceeds of the Notes and the Senior Credit Facility. In addition, Blackstone BC Capital Partners L.P. ("Blackstone") and affiliates contributed \$136,500 to BCCLP. Upon completion of the Notes offering on February 2, 1999 BCCLP contributed all of its assets and liabilities to BCG, which formed a wholly owned subsidiary, Bresnan Telecommunications Company LLC ("BTC"), into which it contributed all of its assets and certain liabilities. The above noted contributed assets and liabilities were accounted for at predecessor cost because of the common ownership and control of TCI and have been reflected in the accompanying financial statements in a manner similar to a pooling of interests.

The consolidated financial statements include the accounts of BCG and those of its wholly owned subsidiary, BTC, subsequent to the aforementioned formation transaction.

The Company owns and operates cable television systems in small- and medium-sized communities in the midwestern United States.

Prior to the transactions noted above, TCI and William J. Bresnan and certain entities which he controls (collectively, the "Bresnan Entities"), held 78.4% and 21.6% interests, respectively, in BCCLP. As of February 2, 1999, TCI, Blackstone and the Bresnan Entities held 50.00%, 39.79% and 10.21% interests, respectively. Subsequent to December 31, 1999, these interests were sold to Charter Communications Holding Company, LLC. (See Note 8, Sale of the Company.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CASH EQUIVALENTS

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

(B) TRADE AND OTHER RECEIVABLES

Receivables are reflected net of an allowance for doubtful accounts. Such allowance at December 31, 1998 and 1999 was not significant.

(C) PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, including acquisition costs allocated to tangible assets acquired. Construction costs, including interest during construction and applicable overhead, are capitalized. During 1997, 1998 and 1999, interest capitalized was \$324,000, \$47,000 and \$1,027,000 respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation is computed on a straight-line basis using estimated useful lives of 3 to 15 years for distribution systems and 3 to 40 years for support equipment and buildings.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. At the time of ordinary retirements, sales or other dispositions of property, the original cost and cost of removal of such property are charged to accumulated depreciation, and salvage, if any, is credited thereto. Gains or losses are only recognized in connection with the sales of properties in their entirety.

**(D) FRANCHISE COSTS**

Franchise costs represent the difference between the cost of acquiring cable television systems and amounts allocated to their tangible assets. Such amounts are generally amortized on a straight-line basis over 40 years. Costs incurred in negotiating and renewing franchise agreements are amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years.

**(E) IMPAIRMENT OF LONG-LIVED ASSETS**

Management periodically reviews the carrying amounts of property and equipment and identifiable intangible assets to determine whether current events or circumstances warrant adjustments to such carrying amounts. If an impairment adjustment is deemed necessary, such loss is measured by the amount that the carrying value of such assets exceeds their fair value. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

**(F) FINANCIAL INSTRUMENTS**

The Company has entered into fixed interest rate exchange agreements ("Interest Rate Swaps") which are used to manage interest rate risk arising from its financial liabilities. Such Interest Rate Swaps are accounted for as a hedge; accordingly, amounts receivable or payable under the Interest Rate Swaps are recognized as adjustments to interest expense. These instruments are not used for trading purposes.

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which is effective for all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that all derivative instruments be reported as assets or liabilities and measured at their fair values. Under SFAS 133, changes in the fair values of derivative instruments are recognized immediately in earnings unless those instruments qualify as hedges of the (1) fair values of existing assets, liabilities, or firm commitments, (2) variability of cash flows of forecasted transactions, or (3) foreign currency exposures of net investments in foreign operations. Although management has not completed its assessment of the impact of SFAS 133 on its combined results of operations and financial position, management estimates that the impact of SFAS 133 will not be material.

**(G) INCOME TAXES**

The majority of BCG's net assets were historically held in partnerships. In addition, BCG has been formed as a limited liability company, to be treated for tax purposes as a flow-through entity. Accordingly, no provision has been made for income tax expense or benefit in the accompanying combined financial statements as the earnings or losses of Bresnan Communications Group LLC will be reported in the respective tax returns of BCG's members. (See Note 5, Income Taxes).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (H) REVENUE RECOGNITION

Cable revenue for customer fees, equipment rental, advertising, pay-per-view programming and revenue sharing agreements is recognized in the period that services are delivered. Installation revenue is recognized in the period the installation services are provided to the extent of direct selling and installation costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable distribution system.

## (I) STATEMENT OF CASH FLOWS

Except for acquisition transactions described in Note 3, transactions effected through Members' equity (deficit) have been considered constructive cash receipts and payments for purposes of the statement of cash flows.

## (J) ADVERTISING COSTS

All advertising costs are expensed as incurred.

## (K) RECLASSIFICATIONS

Certain of the prior year comparative figures have been reclassified to conform to the presentation adopted in the current year.

## (L) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## (3) ACQUISITIONS AND SYSTEM DISPOSITIONS

In 1998, the Company acquired two cable systems which were accounted for under the purchase method. The purchase prices were allocated to the assets acquired in relation to their fair values as increases in property and equipment of \$7,099 and franchise costs of \$21,651.

During 1998, the Company also disposed of two cable systems for gross proceeds of \$58,949, which resulted in gain on sale of cable television systems of \$27,027. In connection with one of the dispositions, a third party intermediary received \$47,199 of cash that was designated to be reinvested in certain identified assets for income tax purposes and accordingly recognized as restricted cash on the Company's Consolidated Balance Sheet at December 31, 1998 and 1999.

In 1999, BCG acquired three cable systems that were accounted for under the purchase method. The purchase prices were allocated to the assets acquired in relation to their fair values as increases to property and equipment of \$24,098 and franchise costs of \$54,582. In connection with two of the acquisitions, the aforementioned third party intermediary disbursed \$46,999 of cash to complete the reinvestment in certain identified assets for income tax purposes.

Finally, in 1999, BCG disposed of cable systems for gross proceeds of \$4,956, which resulted in a gain of \$556.

The results of operations of these cable television systems have been included in the accompanying combined statements of operations from their dates of acquisition or their disposition, as applicable. Pro forma





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Senior Discount Notes are unsecured and will mature on February 1, 2009. The Senior Discount Notes were issued at a discount to their aggregate principal amount at maturity and will accrete at a rate of approximately 9.25% per annum, compounded semi-annually, to an aggregate principal amount of \$275,000 on February 1, 2004. Subsequent to February 1, 2004, the Senior Discount Notes will bear interest at a rate of 9.25% per annum payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 2004.

The Company may elect, upon not less than 60 days prior notice, to commence the accrual of interest on all outstanding Senior Discount Notes on or after February 1, 2002, in which case the outstanding principal amount at maturity of each Senior Discount Note will on such commencement date be reduced to the accreted value of such Senior Discount Note as of such date and interest shall be payable with respect to the Senior Discount Notes on each February and August 1 thereafter.

The Company may not redeem the Notes prior to February 1, 2004 except that prior to February 1, 2002, the Company may redeem up to 35% of the Senior Notes and Senior Discount Notes at redemption prices equal to 108% and 109.25% of the applicable principal amount and accreted value, respectively, with proceeds of an equity offering. Subsequent to February 1, 2004, the Company may redeem the Notes at redemption prices declining annually from approximately 104% of the principal amount or accreted value.

Bresnan Communications Group LLC and its wholly owned subsidiary Bresnan Capital Corporation are the sole obligors of the Senior Notes and Senior Discount Notes. Bresnan Communications Group LLC has no other assets or liabilities other than its investment in its wholly owned subsidiary Bresnan Telecommunications Company LLC. Bresnan Capital Corporation has no other assets or liabilities.

Upon change of control of the Company, the holders of the notes have the right to require the Company to purchase the outstanding notes at a price equal to 101% of the principal amount or accreted value plus accrued and unpaid interest. (See Note 8 "Sale of the Company").

- (c) The notes payable to banks represented borrowings under a \$250,000 senior unsecured reducing revolving credit and term loan facility (the "Bank Facility") as documented in the loan agreement as amended and restated as of August 5, 1998. The Bank Facility called for a current available commitment of \$250,000 of which \$209,000 was outstanding at December 31, 1998. The rates applicable to balances outstanding at December 31, 1998 ranged from 6.815% to 8.000%. The Bank Facility was repaid on February 2, 1999. (See Note 1, Basis of Presentation.)
- (d) The note payable to a partner was comprised of a \$25,000 subordinated note of which \$22,100 was outstanding at December 31, 1998. The note, dated May 12, 1988, was junior and subordinate to the Bank Facility. Interest was provided for at the prime rate (as defined) and was payable quarterly, to the extent allowed under the bank subordination agreement, or at the maturity date of the note, which was the earlier of April 30, 2001 or the first business day following the full repayment of the entire amount due under the notes payable to banks. The interest rate at December 31, 1998 was 7.75%. This note was repaid on February 2, 1999. (See Note 1, Basis of Presentation.)

The Company entered into interest rate swap agreements to effectively fix or set maximum interest rates on a portion of its floating rate long-term debt. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements.

At December 31, 1999, such interest rate swap agreements effectively fixed or set a maximum LIBOR base interest rates between 8.0% and 8.02% on an aggregate notional principal amount of \$50,000, which rates would become effective upon the occurrence of certain events. The effect of the interest rate swap on interest expense for the twelve months ended December 31, 1999 was not significant. The expiration dates of the interest rate swaps ranges from April 1, 2000 to April 3, 2000. The difference between the fair

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

market value and book value of long-term debt and the interest rate swaps at December 31, 1998 and 1999 is not significant.

## (5) INCOME TAXES

Taxable earnings differ from those reported in the accompanying consolidated statements of operations due primarily to differences in depreciation and amortization methods and estimated useful lives under regulations prescribed by the Internal Revenue Service. At December 31, 1999, the financial statement carrying amount of the Company's assets exceeded its tax basis by approximately \$431 million.

## (6) TRANSACTIONS WITH RELATED PARTIES

BCG and its predecessor purchased, at TCI's cost, substantially all of its pay television and other programming from affiliates of TCI. Charges for such programming were \$48,588, \$58,562 and \$62,502 for the years ended December 31, 1997, 1998 and 1999, respectively, and are included in programming expenses in the accompanying consolidated financial statements.

Prior to February 2, 1999, certain affiliates of the partners of BCCLP provided administrative services to BCG and assumed managerial responsibility of BCG's cable television system operations and construction. As compensation for these services, BCG paid a monthly fee calculated pursuant to certain agreed upon formulas. Subsequent to the TCI Transaction on February 2, 1999, certain affiliates of a partner of BCCLP provide administrative services and have assumed managerial responsibilities of BCG. As compensation for these services BCG pays a quarterly fee equal to approximately 3% of gross revenues. Such aggregate charges totaled \$11,801, \$13,086 and \$10,498 and have been included in selling, general and administrative expenses for years ended December 31, 1997, 1998 and 1999, respectively.

## (7) COMMITMENTS AND CONTINGENCIES

The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") imposed certain rate regulations on the cable television industry. Under the 1992 Cable Act, all cable systems are subject to rate regulation, unless they face "effective competition," as defined by the 1992 Cable Act and expanded in the Telecommunications Act of 1996 (the "1996 Act"), in their local franchise area.

Although the Federal Communications Commission (the "FCC") has established regulations required by the 1992 Cable Act, local government units (commonly referred to as local franchising authorities) are primarily responsible for administering the regulation of a cable system's basic service tier ("BST"). The FCC itself directly administered rate regulation of any cable programming service tier ("CPST"). The FCC's authority to regulate CPST rates expired on March 31, 1999. The FCC has taken the position that it will still adjudicate CPST complaints filed after this sunset date (but no later than 180 days after the last CPST rate increase imposed prior to March 31, 1999), and will strictly limit its review (and possible refund orders) to the time period predating the sunset date.

Under the FCC's rate regulations, most cable systems were required to reduce their BST and CPST rates in 1993 and 1994, and have since had their rate increases governed by a complicated price structure that allows for the recovery of inflation and certain associated costs, as well as providing some incentive for expanding channel carriage. Operators also have the opportunity to bypass this "benchmark" regulatory structure in favor of the traditional "cost-of-service" regulation in cases where the latter methodology appears favorable. Premium cable service offered on a per-channel or per-program basis remain unregulated, as do affirmatively marketed packages consisting entirely of new programming product.

The management of BCG believes that it has complied in all material respects with the provisions of the 1992 Cable Act and the 1996 Act, including its rate setting provisions. If, as a result of the review process, a system cannot substantiate its rates, it could be required to retroactively reduce its rates to the appropriate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

benchmark and refund the excess portion of rates received. Any refunds of the excess portion of CPST rates would be retroactive to the date of complaint. Any refunds of the excess portion of BST or equipment rates would be retroactive to one year prior to the implementation of the rate reductions.

Certain plaintiffs have filed or threatened separate class action complaints against certain of the systems of BCG, alleging that the systems' practice of assessing an administrative fee to the subscribers whose payments are delinquent constitutes an invalid liquidated damage provision and a breach of contract, and violates local consumer protection statutes. Plaintiffs seek recovery of all late fees paid to the subject systems as a class purporting to consist of all subscribers who were assessed such fees during the applicable limitation period, plus attorney fees and costs.

BCG has additional contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. Although it is possible that BCG may incur losses upon conclusion of these matters and the matters referred to above, an estimate of any loss or range of loss cannot presently be made. Based upon the facts available, management believes that, although no assurance can be given as to the outcome of these actions, the ultimate disposition should not have material adverse effect upon the combined financial condition of BCG.

On January 12, 2000, the Company also purchased two cable systems from one operator. The system in Wisconsin was a stock purchase and the system in Minnesota was an asset purchase. The total purchase price of these transactions was approximately \$36,232, funded by cash flow from operations and additional borrowings.

The Company also entered into a letter of intent with a cable operator pursuant to which the Company acquires a small cable television system in Minnesota. The transaction would result in a net cost of approximately \$13,000 and will be funded by cash flow from operations and additional borrowings.

BCG leases business offices, has entered into pole attachment agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$3,221, \$2,833 and \$3,547 during the years ended December 31, 1997, 1998 and 1999, respectively.

Future minimum lease payments under noncancelable operating leases are estimated to approximate \$2,240 per year for each of the next five years.

It is expected that, in the normal course of business, expiring leases will be renewed or replaced by leases on the same or similar properties.

#### (8) SALE OF THE COMPANY

In June 1999, the Partners of BCCLP entered into an agreement to sell all of their partnership interests in BCCLP to Charter Communications Holding Company, LLC for a purchase price of approximately \$3.1 billion in cash and equity instruments of Charter and its subsidiaries (including the Company) which will be reduced by the assumption of BCCLP's debt at closing. In conjunction with the sale of the partnership interests, Charter assumed the Company's outstanding indebtedness under the Senior Credit Facility (See Note 4, Debt.) The accompanying financial statements do not reflect the effect of the adjustments, if any, resulting from the sale of the partnership's interests.

## INDEPENDENT AUDITORS' REPORT

The Common Member and Manager  
Bresnan Communications Group LLC:

We have audited the accompanying consolidated balance sheets of Bresnan Communications Group LLC and its subsidiaries as of December 31, 1999 and February 14, 2000, and the related consolidated statements of operations and members' equity (deficit) and cash flows for the year ended December 31, 1999 and for the period ended February 14, 2000. These consolidated financial statements are the responsibility of the Bresnan Communications Group LLC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bresnan Communications Group LLC, as of December 31, 1999 and February 14, 2000, and the results of their operations and their cash flows for the year ended December 31, 1999 and the period ended February 14, 2000, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado  
April 20, 2000

F-469

## BRESNAN COMMUNICATIONS GROUP LLC

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	FEBRUARY 14,	1999	2000	-----	-	---
----- (AMOUNTS IN THOUSANDS) ASSETS						
Cash and cash						
equivalents.....				\$ 5,995		
				\$ --	Restricted cash (note	
3).....	290	301	Trade			
and other receivables, net.....						
9,006	9,062	Property and equipment, at cost: Land and				
		buildings.....				
	6,879	7,271	Distribution			
systems.....				534,812		
			Support			
equipment.....				546,939		
62,283	60,747	-----	-----	603,974	614,957	
			Less accumulated			
depreciation.....				228,868		
233,810	-----	-----	-----	375,106	381,147	
			Franchise costs,			
net.....				328,068		
			Other assets, net of			
amortization.....				19,038	18,746	
			Total			
assets.....				\$ 737,503		
\$ 764,143	=====	=====	LIABILITIES AND			
			MEMBERS' EQUITY (DEFICIT) Bank			
overdraft.....						
	\$ --	\$ 1,542	Accounts			
payable.....						
	18,900	20,776	Accrued			
expenses.....						
	35,613	8,240	Accrued			
interest.....						
	11,748	1,459	Debt (note			
4).....						
	895,607	963,292	Other			
liabilities.....						
	10,020	10,604	-----	-----	Total	
Liabilities.....					971,888	
			Members'			
deficit.....						
(234,385)	(241,770)	-----	-----	Commitments		
				and contingencies		
				Total liabilities and members'		
deficit.....				\$ 737,503	\$ 764,143	=====
				=====		

See accompanying notes to consolidated financial statements.

## BRESNAN COMMUNICATIONS GROUP LLC

## CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)

PERIOD FROM JANUARY 1, YEAR ENDED 2000 TO DECEMBER 31,  
 FEBRUARY 14, 1999 2000 ----- (AMOUNTS  
 IN THOUSANDS)

REVENUE.....				
\$ 283,574	\$ 37,102	Operating costs and expenses:		
Programming (note 6).....	72,355	10,178		
Operating.....	31,624	4,857	Selling, general and administrative (note 6).....	67,351
			Organizational and divestiture costs.....	5,281
			Depreciation and amortization.....	865
59,752	8,095	-----	236,363	34,409
		-----	Operating	
income.....	47,211	2,693		
OTHER INCOME (EXPENSE): Interest expense: Related party (note 4).....	(152)	--		
Other.....	(67,139)	(9,522)	Gain (loss) on sale of cable television systems.....	556
			-- Other,	
net.....	(900)			
(106)	-----	(67,635)	(9,628)	-----
		-----	Net earnings	
(loss).....	(20,424)			
(6,935)	MEMBERS' EQUITY (DEFICIT): Beginning of period.....	381,748		
	(234,385)	Capital contributions by members.....	136,500	-- Capital distributions to members.....
	(732,209)	(450)	-----	End of period.....
	\$ (234,385)	\$ (241,770)	=====	=====

See accompanying notes to consolidated financial statements.

F-471

## BRESNAN COMMUNICATIONS GROUP LLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

PERIOD FROM JANUARY 1, YEAR ENDED 2000 TO DECEMBER  
31, FEBRUARY 14, 1999 2000 -----

- (AMOUNTS IN THOUSANDS) CASH FLOWS FROM OPERATING  
ACTIVITIES: Net

loss.....

\$ (20,424)	\$ (6,935)	Adjustments to reconcile net earnings to net cash provided by operating activities: Depreciation and amortization.....	59,752	8,095
		Amortization of debt discount and deferred financing costs.....		
18,683	2,345	Gain on sale of cable television systems.....	(556)	-- Other, net.....
689		Changes in operating assets and liabilities, net of effects of acquisitions: Change in receivables.....	621	(56)
429	37	Change in other assets.....		
		Change in accounts payable, accrued expenses, accrued interest and other liabilities.....	25,457	(34,227)
		----- Net cash provided by (used in) operating activities.....	83,962	(30,052)
		----- CASH FLOWS FROM INVESTING ACTIVITIES: Capital expended for property and equipment and for franchise costs.....		
		(90,879) (6,642) Cash paid in acquisitions.....		
		(78,680) (36,177) Cash received in disposals.....	4,956	200
		Change in restricted cash.....	46,999	(11)
		----- Net cash used in investing activities.....	(117,604)	(42,630)
		----- CASH FLOWS FROM FINANCING ACTIVITIES: Change in bank overdraft.....	--	1,542
		Borrowings under note agreement.....	597,530	67,000
		Proceeds from Senior Notes.....	170,000	--
		Proceeds from Senior Discount Notes.....	175,021	--
		Repayments under note agreement.....		
		(294,672) (1,405) Deferred finance costs paid.....	(19,169)	--
		Contributions by members.....	136,500	--
		Distributions to members.....	(732,209)	
		(450) ----- Net cash provided by financing activities.....	33,001	66,687
		----- Net decrease in cash.....	(641)	(5,995)
		CASH AND CASH EQUIVALENTS: Beginning of period.....	6,636	
		5,995 ----- End of period.....		\$
5,995	\$ --	===== SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -- Cash paid during the period for interest.....	\$ 58,695	\$
		17,603 =====		

See accompanying notes to consolidated financial statements.

## BRESNAN COMMUNICATIONS GROUP LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND FEBRUARY 14, 2000  
(AMOUNTS IN THOUSANDS)

## (1) BASIS OF PRESENTATION

Bresnan Communications Group LLC and its subsidiaries ("BCG" or the "Company") are wholly owned by Bresnan Communications Company Limited Partnership, a Michigan limited partnership ("BCCLP"). BCG is a Delaware limited liability company formed on August 5, 1998 for the purpose of acting as co-issuer with its wholly-owned subsidiary, Bresnan Capital Corporation ("BCC"), of \$170,000 aggregate principal amount at maturity of 8% Senior Notes and \$275,000 aggregate principal amount at maturity of 9.25% Senior Discount Notes, both due in 2009 (collectively the "Notes"). Also, at this time, BTC borrowed approximately \$508,000 of \$650,000 available under a new credit facility (the "Senior Credit Facility"). (See Note 4, Debt.) Prior to the issuance of the Notes on February 2, 1999, BCCLP completed the terms of a contribution agreement dated June 3, 1998, as amended, whereby certain affiliates of AT&T Broadband and Internet Services, formerly Tele-Communications, Inc. ("TCI"), contributed certain cable television systems along with assumed TCI debt of approximately \$708,854 to BCCLP which was repaid with the proceeds of the Notes and the Senior Credit Facility. In addition, Blackstone BC Capital Partners L.P. ("Blackstone") and affiliates contributed \$136,500 to BCCLP. Upon completion of the Notes offering on February 2, 1999 BCCLP contributed all of its assets and liabilities to BCG, which formed a wholly owned subsidiary, Bresnan Telecommunications Company LLC ("BTC"), into which it contributed all of its assets and certain liabilities. The above noted contributed assets and liabilities were accounted for at predecessor cost because of the common ownership and control of TCI and have been reflected in the accompanying financial statements in a manner similar to a pooling of interests.

The consolidated financial statements include the accounts of BCG and those of its wholly owned subsidiary, BTC, subsequent to the aforementioned formation transaction.

The Company owns and operates cable television systems in small- and medium-sized communities in the midwestern United States.

Prior to the transactions noted above, TCI and William J. Bresnan and certain entities which he controls (collectively, the "Bresnan Entities"), held 78.4% and 21.6% interests, respectively, in BCCLP. As of February 2, 1999, TCI, Blackstone and the Bresnan Entities held 50.00%, 39.79% and 10.21% interests, respectively. On February 14, 2000, these interests were sold to Charter Communications Holding Company, LLC. (See Note 8, Sale of the Company.)

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (a) Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

## (b) Trade and Other Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance at December 31, 1999 and February 14, 2000 was not significant.

## (c) Property and Equipment

Property and equipment is stated at cost, including acquisition costs allocated to tangible assets acquired. Construction costs, including interest during construction and applicable overhead, are capitalized. During the year ended December 31, 1999 and the period ended February 14, 2000, interest capitalized was \$1,027 and \$137, respectively.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND FEBRUARY 14, 2000

(AMOUNTS IN THOUSANDS) -- (CONTINUED)

Depreciation is computed on a straight-line basis using estimated useful lives of 3 to 15 years for distribution systems and 3 to 40 years for support equipment and buildings.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. At the time of ordinary retirements, sales or other dispositions of property, the original cost and cost of removal of such property are charged to accumulated depreciation, and salvage, if any, is credited thereto. Gains or losses are only recognized in connection with the sales of properties in their entirety.

(d) Franchise Costs

Franchise costs represent the difference between the cost of acquiring cable television systems and amounts allocated to their tangible assets. Such amounts are generally amortized on a straight-line basis over 40 years. Costs incurred in negotiating and renewing franchise agreements are amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years.

(e) Impairment of Long-Lived Assets

Management periodically reviews the carrying amounts of property and equipment and identifiable intangible assets to determine whether current events or circumstances warrant adjustments to such carrying amounts. If an impairment adjustment is deemed necessary, such loss is measured by the amount that the carrying value of such assets exceeds their fair value. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

(f) Financial Instruments

The Company has entered into fixed interest rate exchange agreements ("Interest Rate Swaps") which are used to manage interest rate risk arising from its financial liabilities. Such Interest Rate Swaps are accounted for as a hedge; accordingly, amounts receivable or payable under the Interest Rate Swaps are recognized as adjustments to interest expense. These instruments are not used for trading purposes.

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which is effective for all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that all derivative instruments be reported as assets or liabilities and measured at their fair values. Under SFAS 133, changes in the fair values of derivative instruments are recognized immediately in earnings unless those instruments qualify as hedges of the (1) fair values of existing assets, liabilities, or firm commitments, (2) variability of cash flows of forecasted transactions, or (3) foreign currency exposures of net investments in foreign operations. Although management has not completed its assessment of the impact of SFAS 133 on its combined results of operations and financial position, management estimates that the impact of SFAS 133 will not be material.

(g) Income Taxes

The majority of BCG's net assets were historically held in partnerships. In addition, BCG has been formed as a limited liability company, to be treated for tax purposes as a flow-through entity. Accordingly, no provision has been made for income tax expense or benefit in the accompanying combined financial statements as the earnings or losses of Bresnan Communications Group LLC will be reported in the respective tax returns of BCG's members. (See Note 5, Income Taxes).

-----  
-----  
\$1,943,000,000

OFFER TO EXCHANGE

9.625% SENIOR NOTES DUE 2009,  
10.000% SENIOR NOTES DUE 2011, AND  
11.750% SENIOR DISCOUNT NOTES DUE 2011,

FOR ANY AND ALL OUTSTANDING  
9.625% SENIOR NOTES DUE 2009,  
10.000% SENIOR NOTES DUE 2011, AND  
11.750% SENIOR DISCOUNT NOTES DUE 2011,

RESPECTIVELY, OF

CHARTER COMMUNICATIONS

HOLDINGS, LLC

AND

CHARTER COMMUNICATIONS

HOLDINGS CAPITAL CORPORATION

NO DEALER, SALESPERSON OR OTHER PERSON IS AUTHORIZED TO GIVE ANY  
INFORMATION OR TO REPRESENT ANYTHING NOT CONTAINED IN THIS PROSPECTUS. YOU MUST  
NOT RELY ON ANY UNAUTHORIZED INFORMATION OR REPRESENTATIONS. THIS PROSPECTUS IS  
AN OFFER TO ISSUE ONLY THE NEW NOTES OFFERED HEREBY, BUT ONLY UNDER  
CIRCUMSTANCES AND IN JURISDICTIONS WHERE IT IS LAWFUL TO DO SO. THE INFORMATION  
CONTAINED IN THIS PROSPECTUS IS CURRENT ONLY AS OF ITS DATE.

-----  
-----

## PART II

## INFORMATION NOT REQUIRED IN THE PROSPECTUS

## ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

## INDEMNIFICATION UNDER THE LIMITED LIABILITY COMPANY AGREEMENT OF CHARTER HOLDINGS.

The limited liability company agreement of Charter Holdings provides that the members, the manager, the directors, their affiliates or any person who at any time serves or has served as a director, officer, employee or other agent of any member or any such affiliate, and who, in such capacity, engages or has engaged in activities on behalf of Charter Holdings, shall be indemnified and held harmless by Charter Holdings to the fullest extent permitted by law from and against any losses, damages, expenses, including attorneys' fees, judgments and amounts paid in settlement actually and reasonably incurred by or in connection with any claim, action, suit or proceeding arising out of or incidental to such indemnifiable person's conduct or activities on behalf of Charter Holdings. Notwithstanding the foregoing, no indemnification is available under the limited liability company agreement in respect of any such claim adjudged to be primarily the result of bad faith, willful misconduct or fraud of an indemnifiable person. Payment of these indemnification obligations shall be made from the assets of Charter Holdings and the members shall not be personally liable to an indemnifiable person for payment of indemnification.

## INDEMNIFICATION UNDER THE DELAWARE LIMITED LIABILITY COMPANY ACT.

Section 18-108 of the Delaware Limited Liability Company Act authorizes a limited liability company to indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever, subject to such standards and restrictions, if any, as are set forth in its limited liability company agreement.

## INDEMNIFICATION UNDER THE BY-LAWS OF CHARTER CAPITAL.

The by-laws of Charter Capital provide that Charter Capital, to the broadest and maximum extent permitted by applicable law, will indemnify each person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of Charter Capital, or is or was serving at the request of Charter Capital as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. To the extent that a director, officer, employee or agent of Charter Capital has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the preceding paragraph, or in defense of any claim, issue or matter, such person will be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person. Expenses, including attorneys' fees, incurred by a director or officer in defending any civil or criminal action, suit or proceeding may be paid by Charter Capital in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors of Charter Capital, upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such director or officer was not entitled to be indemnified by Charter Capital as authorized in the by-laws of Charter Capital. The indemnification and advancement of expenses provided by, or granted pursuant to, the by-laws of Charter Capital will not be deemed exclusive and are declared expressly to be non-exclusive of any other rights to which those seeking indemnification or advancements of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity

while holding an office, and, unless otherwise provided when authorized or ratified, will continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

#### INDEMNIFICATION UNDER THE DELAWARE GENERAL CORPORATION LAW.

Section 145 of the Delaware General Corporation Law, authorizes a corporation to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. In addition, the Delaware General Corporation Law does not permit indemnification in any threatened, pending or completed action or suit by or in the right of the corporation in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses, which such court shall deem proper. To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person. Indemnity is mandatory to the extent a claim, issue or matter has been successfully defended. The Delaware General Corporation Law also allows a corporation to provide for the elimination or limit of the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director

- (i) for any breach of the director's duty of loyalty to the corporation or its stockholders,
- (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- (iii) for unlawful payments of dividends or unlawful stock purchases or redemptions, or
- (iv) for any transaction from which the director derived an improper personal benefit. These provisions will not limit the liability of directors or officers under the federal securities laws of the United States.

#### ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

##### EXHIBITS

- 2.1 Merger Agreement, dated March 31, 1999, by and between Charter Communications Holdings, LLC and Marcus Cable Holdings, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))

- 2.2(a) Membership Purchase Agreement, dated as of January 1, 1999, by and between ACEC Holding Company, LLC and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.2(b) Assignment of Membership Purchase Agreement, dated as of February 23, 1999, by and between Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Entertainment II, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.3(a) Asset Purchase Agreement, dated as of February 17, 1999, among Greater Media, Inc., Greater Media Cablevision, Inc. and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.3(b) Assignment of Asset Purchase Agreement, dated as of February 23, 1999, by and between Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Entertainment I, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.4 Purchase Agreement, dated as of February 23, 1999, by and among Charter Communications, Inc. (now called Charter Investment, Inc.), Charter Communications, LLC, Renaissance Media Holdings LLC and Renaissance Media Group LLC (Incorporated by reference to the report on Form 8-K of Renaissance Media Group LLC filed on March 1, 1999 (File No. 333-56679))
- 2.5 Purchase Agreement, dated as of March 22, 1999, among Charter Communications, Inc. (now called Charter Investment, Inc.), Charter Communications, LLC, Charter Helicon, LLC, Helicon Partners I, L.P., Baum Investments, Inc. and the limited partners of Helicon Partners I, L.P. (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.6(a) Asset and Stock Purchase Agreement, dated April 20, 1999, between InterMedia Partners of West Tennessee, L.P. and Charter Communications, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 2.6(b) Stock Purchase Agreement, dated April 20, 1999, between TCID 1P-V, Inc. and Charter Communications, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 2.6(c) RMG Purchase Agreement, dated as of April 20, 1999, between Robin Media Group, Inc., InterMedia Partners of West Tennessee, L.P. and Charter RMG, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 2.6(d) Asset Exchange Agreement, dated April 20, 1999, among InterMedia Partners Southeast, Charter Communications, LLC, Charter Communications Properties, LLC, and Marcus Cable Associates, L.L.C. (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))



- 2.6(d)(i) Amendment to Asset Exchange Agreement, made as of October 1, 1999, by and among InterMedia Partners Southeast and Charter Communications, LLC, Charter Communications Properties, LLC and Marcus Cable Associates, L.L.C. (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 2.6(e) Asset Exchange Agreement, dated April 20, 1999, among InterMedia Partners, a California Limited Partnership, Brenmor Cable Partners, L.P. and Robin Media Group, Inc. (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 2.6(f) Common Agreement, dated April 20, 1999, between InterMedia Partners, InterMedia Partners Southeast, InterMedia Partners of West Tennessee, L.P., InterMedia Capital Partners IV, L.P., InterMedia Partners IV, L.P., Brenmor Cable Partners, L.P., TCID IP-V, Inc., Charter Communications, LLC, Charter Communications Properties, LLC, Marcus Cable Associates, L.L.C. and Charter RMG, LLC (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 2, 1999 (File No. 333-77499)) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
- 2.7(a) Purchase and Sale Agreement, dated as of April 26, 1999, by and among InterLink Communications Partners, LLLP, the sellers listed therein and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 2.7(b) Purchase and Sale Agreement, dated as of April 26, 1999, by and among Rifkin Acquisition Partners, L.L.L.P., the sellers listed therein and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.7(c) RAP Indemnity Agreement, dated April 26, 1999, by and among the sellers listed therein and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.7(d) Assignment of Purchase Agreement with InterLink Communications Partners, LLLP, dated as of June 30, 1999, by and between Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Operating, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.7(e) Assignment of Purchase Agreement with Rifkin Acquisition Partners L.L.L.P., dated as of June 30, 1999, by and between Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Operating, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 2.7(f) Assignment of RAP Indemnity Agreement, dated as of June 30, 1999, by and between Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Operating, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))

- 2.7(g) Amendment to the Purchase Agreement with InterLink Communications Partners, LLLP, dated June 29, 1999 (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 2.7(h) Contribution Agreement, dated as of September 14, 1999, by and among Charter Communications Operating, LLC, Charter Communications Holding Company, LLC, Charter Communications, Inc., Paul G. Allen and the certain other individuals and entities listed on the signature pages thereto (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 2.7(i) Form of First Amendment to the Contribution Agreement dated as of September 14, 1999, by and among Charter Communications Operating, LLC, Charter Communications Holding Company, LLC, Charter Communications, Inc. and Paul G. Allen (Incorporated by reference to Amendment No. 5 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 4, 1999 (File No. 333-83887))
- 2.8 Contribution and Sale Agreement dated as of December 30, 1999, by and among Charter Communications Holding Company, LLC, CC VII Holdings, LLC and Charter Communications VII, LLC (Incorporated by reference to the report on Form 8-K of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 18, 2000 (File No. 333-77499))
- 2.9 Contribution and Sale Agreement dated as of December 30, 1999, by and among Charter Communications Holding Company, LLC and Charter Communications Holdings, LLC (Incorporated by reference to the report on Form 8-K of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 18, 2000 (File No. 333-77499))
- 2.10(a) Securities Purchase Agreement, dated May 13, 1999, by and between Avalon Cable Holdings LLC, Avalon Investors, L.L.C., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable LLC and Charter Communications Holdings LLC and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Avalon Cable of Michigan LLC, Avalon Cable of Michigan Inc., Avalon Cable of New England LLC and Avalon Cable Finance Inc. filed on May 28, 1999 (File No. 333-75453))
- 2.10(b) Assignment and Contribution Agreement, entered into as of October 11, 1999 by and between Charter Communications Holding Company, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 2.10(c) Assignment Agreement effective as of June 16, 1999, by and among Charter Communications, Inc., Charter Communications Holdings LLC, Charter Communications Holding Company, LLC, Avalon Cable Holdings LLC, Avalon Investors, L.L.C., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable LLC (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 2.11(a) Purchase and Contribution Agreement, dated as of May 26, 1999, by and among Falcon Communications, L.P., Falcon Holding Group, L.P., TCI Falcon Holdings, LLC, Falcon Cable Trust, Falcon Holding Group, Inc. and DHN Inc. and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc. filed on September 28, 1999 (File No. 333-83887))



- 2.11(b) First Amendment to Purchase and Contribution Agreement, dated as of June 22, 1999, by and among Charter Communications, Inc., Charter Communications Holding Company, LLC, Falcon Communications, L.P., Falcon Holding Group, L.P., TCI Falcon Holdings, LLC, Falcon Cable Trust, Falcon Holding Group, Inc. and DHN Inc. (Incorporated by reference to the quarterly report on Form 10-Q filed by Falcon Communications, L.P. and Falcon Funding Corporation on August 13, 1999 (File Nos. 333-60776 and 333-55755))
- 2.11(c) Form of Second Amendment to Purchase And Contribution Agreement, dated as of October 27, 1999, by and among Charter Investment, Inc., Charter Communications Holding Company, LLC, Falcon Communications, L.P., Falcon Holding Group, L.P., TCI Falcon Holdings, LLC, Falcon Holding Group, Inc. and DHN Inc. (Incorporated by reference to Amendment No. 5 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 4, 1999 (File No. 333-83887))
- 2.11(d) Third Amendment to Purchase and Contribution Agreement dated as of November 12, 1999, by and among Charter Communications, Inc., Falcon Communications L.P., Falcon Holdings Group, L.P., TCI Falcon Holdings, LLC, Falcon Cable Trust, Falcon Holding Group, Inc. and DHN Inc. (Incorporated by reference to the report on Form 8-K of CC VII Holdings, LLC and Falcon Funding Corporation filed on November 26, 1999 (File No. 033-60776))
- 2.12(a) Purchase Agreement, dated as of May 21, 1999, among Blackstone TWF Capital Partners, L.P., Blackstone TWF Capital Partners A L.P., Blackstone TWF Capital Partners B L.P., Blackstone TWF Family Investment Partnership, L.P., RCF Carry, LLC, Fanch Management Partners, Inc., PBW Carried Interest, Inc., RCF Indiana Management Corp, The Robert C. Fanch Revocable Trust, A. Dean Windry, Thomas Binning, Jack Pottle, SDG/Michigan Communications Joint Venture, Fanch-JV2 Master Limited Partnership, Cooney Cable Associates of Ohio, Limited Partnership, North Texas Cablevision, LTD., Post Cablevision of Texas, Limited Partnership, Spring Green Communications, L.P., Fanch-Narragansett CSI Limited Partnership, and Fanch Cablevision of Kansas General Partnership and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc. filed on September 28, 1999 (File No. 333-83887))
- 2.12(b) Assignment of Purchase Agreement by and between Charter Investment, Inc. and Charter Communications Holding Company, LLC, effective as of September 21, 1999 (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 2.13 Purchase and Contribution Agreement, entered into as of June 1999, by and among BCI (USA), LLC, William Bresnan, Blackstone BC Capital Partners L.P., Blackstone BC Offshore Capital Partners L.P., Blackstone Family Investment Partnership III L.P., TCID of Michigan, Inc. and TCI Bresnan LLC and Charter Communications Holding Company, LLC (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc. filed on September 28, 1999 (File No. 333-83887))
- 2.14(a)(1) Asset Purchase Agreement, dated as of February 26, 2001, among Marcus Cable of Alabama, L.L.C., on the one hand, and TCI of Selma, Inc., TCI of Lee County, Inc., TCI Cablevision of Alabama, Inc., Alabama T.V. Cable, Inc. and TCI Southeast, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(a)(2) First Amendment to Asset Purchase Agreement, dated as of June 30, 2001, between Marcus Cable of Alabama, L.L.C., on the one hand, and TCI of Selma, Inc., TCI of Lee County, Inc., TCI Cablevision of Alabama, Inc., Alabama T.V. Cable, Inc. and TCI Southeast, Inc., on the other\*

- 2.14(b)(1) Reorganization Agreement, dated as of February 26, 2001, among Charter Communications, Inc., on the one hand, and TCI TKR of Alabama, Inc. and TCI Southeast, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(b)(2) First Amendment to Reorganization Agreement, dated as of June 30, 2001, between Charter Communications, Inc. and Marcus Cable of Alabama, L.L.C., on the one hand, and TCI TKR of Alabama, Inc. and TCI Southeast on the other\*
- 2.14(c)(1) Asset Purchase Agreement, dated as of February 26, 2001, among Falcon Cable Systems Company II, L.P., on the one hand, and AT&T Broadband, LLC, Communication Services, Inc., Ohio Cablevision Network, Inc., TCI Cablevision of California, Inc. and TCI Washington Associates, L.P., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(c)(2) First Amendment to Asset Purchase Agreement, dated as of June 30, 2001, between Falcon Cable Systems Company II, L.P., on the one hand and AT&T Broadband, LLC, Communications Services, Inc., Ohio Cablevision Network, Inc., TCI Cablevision of California, Inc. and TCI Washington Associates, L.P., on the other\*
- 2.14(d)(1) Reorganization Agreement, dated as of February 26, 2001, among Charter Communications, Inc., on the one hand, and TCI Cablevision of Nevada, Inc. and TCI West, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(d)(2) First Amendment to Reorganization Agreement, dated as of June 30, 2001, between Charter Communications, Inc., on the one hand, and TCI Cablevision of Nevada, Inc. and TCI West, Inc., on the other\*
- 2.14(e)(1) Asset Purchase Agreement, dated as of February 26, 2001, among Charter Communications, Inc., Interlink Communications Partners, LLC, Charter Communications, LLC and Falcon Cable Media, on the one hand, and TCI Cable Partners of St. Louis, L.P. and TCI Cablevision of Missouri, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(e)(2) First Amendment to Asset Purchase Agreement, dated as of June 30, 2001, between Charter Communications, Inc., Interlink Communications Partners, LLC, Charter Communications, LLC and Falcon Cable Media, on the one hand, and TCI Cable Partners of St. Louis, L.P. and TCI Cablevision of Missouri, Inc., on the other\*
- 2.14(f)(1) Asset Purchase Agreement, dated as of February 26, 2001, among Charter Communications Entertainment I, LLC, on the one hand, and St. Louis Telecommunications, Inc., TCI Cable Partners of St. Louis, L.P., TCI Cablevision of Missouri, Inc., TCI of Illinois, Inc., TCI TKR of Central Florida, Inc. and TCI Holdings, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(f)(2) First Amendment to Asset Purchase Agreement, dated as of June 30, 2001, between Charter Communications Entertainment I, LLC, on the one hand, and St. Louis Telecommunications, Inc., TCI Cable Partners of St. Louis, L.P., TCI Cablevision of Missouri, Inc., TCI of Illinois, Inc., TCI TKR of Central Florida, Inc. and TCI Holdings, Inc., on the other\*

- 2.14(g)(1) Agreement Regarding Closing Matters, dated as of February 26, 2001, among Charter Communications, Inc., on behalf of itself, Marcus Cable of Alabama, L.L.C., Falcon Cable Systems Company II, L.P., Interlink Communications Partners, LLC, Charter Communications, LLC, Falcon Cable Media, and Charter Communications Entertainment I, LLC, on the one hand and AT&T Broadband, LLC, on behalf of itself, TCI TKR of Alabama, Inc., TCI of Selma, Inc., TCI of Lee County, TCI Cablevision of Alabama, Inc. and Alabama T.V. Cable, Inc., TCI Southeast, Inc., TCI Cablevision of Nevada, Inc., TCI West, Inc., Communication Services, Inc., Ohio Cablevision Network, Inc., TCI Cablevision of California, Inc., TCI Washington Associates, L.P., TCI of Illinois, Inc., TCI Cablevision of Missouri, Inc., St. Louis Tele-Communications, Inc., TCI Cable Partners of St. Louis, L.P., TCI TKR of Central Florida, Inc. and TCI Holdings, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927))
- 2.14(g)(2) First Amendment to Agreement Regarding Closing Matters, dated as of June 30, 2001, among Charter Communications, Inc., on behalf of the Charter Entities, and AT&T Broadband, LLC, on behalf of the AT&T Entities\*
- 2.14(h) Assignment Letter Agreement, dated as of June 30, 2001, between Charter Communications, Inc. and Marcus Cable of Alabama, L.L.C.\*
- 2.14(i) Assignment Letter Agreement, dated as of June 30, 2001, between Charter Communications, Inc. and Falcon Cable Systems Company II, L.P.\*
- 3.1 Certificate of Formation of Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 3.2 Limited Liability Company Agreement of Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 3.3 Certificate of Incorporation of Charter Communications Holdings Capital Corporation (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 3.4 By-Laws of Charter Communications Holdings Capital Corporation (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 4.1(a)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 9.625% Senior Notes due 2009 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 4.1(a)(2) Exchange and Registration Rights Agreement relating to 9.625% Senior Notes due 2009, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))

- 4.1(b)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.000% Senior Notes due 2011 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 4.1(b)(2) Exchange and Registration Rights Agreement relating to 10.000% Senior Notes due 2011, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 4.1(c)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 11.750% Senior Discount Notes due 2011 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 4.1(c)(2) Exchange and Registration Rights Agreement relating to 11.750% Senior Discount Notes due 2011, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 5.1 Opinion of Paul, Hastings, Janofsky & Walker LLP regarding legality\*
- 8.1 Opinion of Paul, Hastings, Janofsky & Walker LLP regarding tax matters\*
- 10.1 Credit Agreement, dated as of March 18, 1999, between Charter Communications Operating, LLC, and certain lenders and agents named therein (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 10.1(a) First Amendment to Credit Agreement dated as of June 28, 1999 between Charter Communications Operating, LLC, Charter Communications Holdings LLC and certain lenders and agents named therein (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.1(b) Second Amendment to Credit Agreement dated as of December 14, 1999 between Charter Communications Operating, LLC, Charter Communications Holdings LLC and certain lenders and agents named therein (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.1(c) Third Amendment to Credit Agreement dated as of March 18, 2000, between Charter Communications Operating, LLC, Charter Communications, LLC and certain lenders and agents named therein (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 333-83887))

- 10.2(a)(1) Form of Second Amended Management Agreement, dated as of November 9, 1999, by and among Charter Investment, Inc., Charter Communications, Inc. and Charter Communications Operating, LLC (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.2(b) First Amended and Restated Mutual Services Agreement, dated as of December 21, 2000, by and between Charter Communications, Inc., Charter Investment, Inc. and Charter Communications Holding Company, LLC (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC filed on February 2, 2001 (File No. 333-54902))
- 10.2(c) Form of Management Agreement, dated as of November 9, 1999, by and between Charter Communications Holding Company, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.2(d) Management Agreement, dated as of November 12, 1999, by and between CC VI Operating Company, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on April 18, 2000 (File No. 333-77499))
- 10.2(e) Management Agreement, dated as of November 12, 1999 by and between Falcon Cable Communications, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on April 18, 2000 (File No. 333-77499))
- 10.2(f) Management Agreement dated as of February 14, 2000, by and between CC VIII Operating, LLC, certain subsidiaries of CC VIII Operating, LLC and Charter Communications, Inc. (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 333-83887))
- 10.3 Consulting Agreement, dated as of March 10, 1999, by and between Vulcan Northwest Inc., Charter Communications, Inc. (now called Charter Investment Inc.) and Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 10.4 Charter Communications Holdings, LLC 1999 Option Plan (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))
- 10.4(a) Assumption Agreement regarding option plan, dated as of May 25, 1999, by and between Charter Communications Holdings, LLC and Charter Communications Holding Company, LLC (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.4(b) Form of Amendment No. 1 to the Charter Communications Holdings, LLC 1999 Option Plan (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File No. 333-83887))
- 10.4(c) Amendment No. 2 to the Charter Communications Holdings, LLC 1999 Option Plan (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 333-83887))

- 10.5 Membership Interests Purchase Agreement, dated July 22, 1999, by and between Charter Communications Holding Company, LLC and Paul G. Allen (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.6 Employment Agreement, dated as of August 28, 1998, between Jerald L. Kent and Paul G. Allen (Incorporated by reference to Amendment No. 5 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 10, 1999 (File No. 333-77499))
- 10.7 Assignment of Employment Agreements, dated as of December 23, 1998, between Paul G. Allen and Charter Communications, Inc. (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.8(a) Option Agreement, dated as of February 9, 1999, between Jerald L. Kent and Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.8(b) Amendment to the Option Agreement, dated as of August 23, 1999, between Jerald L. Kent and Charter Communications Holding Company, LLC (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.8(c) Form of Amendment to the Option Agreement, dated as of November 8, 1999, by and among Jerald L. Kent, Charter Communications Holding Company, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File No. 333-83887))
- 10.9 Letter Agreement, dated as of July 22, 1999 between Charter Communications Holding Company, LLC and Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 5 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 10, 1999 (File No. 333-77499))
- 10.10 Amendment to Membership Interests Purchase Agreement, dated as of August 10, 1999, by and among Charter Communications Holding Company, LLC, Vulcan Cable III Inc. and Paul G. Allen (Incorporated by reference to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))
- 10.11 Form of Assignment and Assumption Agreement, dated as of November 4, 1999, by and between Charter Investment, Inc. and Charter Communications, Inc. (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc. filed on September 28, 1999 (File No. 333-83887))
- 10.12 Form of Registration Rights Agreement, dated as of November 12, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Vulcan Cable III Inc., Mr. Paul G. Allen, Mr. Jerald L. Kent, Mr. Howard L. Wood and Mr. Barry L. Babcock (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.13 Form of Consulting Agreement, dated as of November 1, 1999, by and between Howard L. Wood and Charter Communications, Inc. (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File No. 333-83887))

- 10.14 Form of Termination of Employment Agreement, dated as of November 1, 1999, by and between Howard L. Wood and Charter Investment, Inc., Communications, Inc. and Charter Communications Holding Company, LLC (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File No. 333-83887))
- 10.15 Letter Agreement, dated September 21, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Charter Communications Holding Company, Inc. and Vulcan Ventures Inc. (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.16 Second Amended and Restated Credit Agreement dated as of February 2, 1999, as Amended and Restated as of January 2, 2001 by and among CC VIII Operating, LLC, as borrower, CC VIII Holdings, LLC, as guarantor, and several financial institutions or entities named therein (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 333-83887))
- 10.17 Form of Credit Agreement, dated as of June 30, 1998, as Amended and Restated as of November 12, 1999, among Falcon Cable Communications, LLC, certain guarantors and several financial institutions or entities named therein (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.18 Credit Agreement, dated as of November 12, 1999, among CC VI Holdings, LLC, CC VI Operating Company, LLC and several financial institutions or entities named therein (Incorporated by reference to the report on Form 8-K of Charter Communications, Inc. filed on November 29, 1999 (File No. 333-83887))
- 10.19 Amended and Restated Limited Liability Company Agreement for Charter Communications Holding Company, LLC, dated January 1, 2001 (Incorporated by reference to the current report on Form 8-K of Charter Communications, Inc. filed on May 23, 2001 (File No. 000-27927))
- 10.20 Letter Agreement, dated May 25, 1999, between Charter Communications, Inc. and Marc Nathanson (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.21 Exchange Agreement, dated as of February 14, 2000, by and among Charter Communications, Inc., BCI (USA), LLC, William J. Bresnan, Blackstone BC Capital Partners L.P., Blackstone BC Offshore Capital Partners L.P., Blackstone Family Media, III L.P. (as assignee of Blackstone Family Investment III L.P.), TCID of Michigan, Inc., and TCI Bresnan LLC (Incorporated by reference to the current report on Form 8-K of Charter Communications, Inc. filed on February 29, 2000 (File No. 333-83887))
- 10.22 Form of Exchange Agreement, dated as of November 12, 1999 by and among Charter Investments, Inc., Charter Communications, Inc., Vulcan Cable III Inc. and Paul G. Allen (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))
- 10.23(a) Indenture relating to the 10.00% Senior notes due 2009, dated as of January 12, 2000, between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.23(b) Form of 10.00% Senior Note due 2010 (included in Exhibit No. 4.1(a)) (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))

- 10.23(c) Exchange and Registration Rights Agreement, dated January 12, 2000, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Goldman, Sachs & Co., Chase Securities Inc., FleetBoston Robertson Stephens Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, TD Securities (USA) Inc., First Union Securities, Inc., PNC Capital Markets, Inc. and SunTrust Equitable Securities Corporation, relating to the 10.00% Senior Notes due 2009 (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.24(a) Indenture relating to the 10.25% Senior Notes due 2010, dated as of January 12, 2000, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.24(b) Form of 10.25% Senior Note due 2010 (included in Exhibit No. 4.2(a)) (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.24(c) Exchange and Registration Rights Agreement, dated January 12, 2000, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Goldman, Sachs & Co., Chase Securities Inc., FleetBoston Robertson Stephens Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, TD Securities (USA) Inc., First Union Securities, Inc., PNC Capital Markets, Inc. and SunTrust Equitable Securities Corporation, relating to the 10.25% Senior Notes due 2010 (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.25(a) Indenture relating to the 11.75% Senior Discount Notes due 2010, dated as of January 12, 2000, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.25(b) Form of 11.75% Senior Discount Note due 2010 (included in Exhibit No. 4.3(a)) (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))
- 10.25(c) Exchange and Registration Rights Agreement, dated January 12, 2000, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Goldman, Sachs & Co., Chase Securities Inc., FleetBoston Robertson Stephens Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, TD Securities (USA) Inc., First Union Securities, Inc., PNC Capital Markets, Inc. and SunTrust Equitable Securities Corporation, relating to the 11.75% Senior Discount Notes due 2010 (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))



- 10.26(a) Indenture relating to the 8.250% Senior Notes due 2007, dated as of March 17, 1999, between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 10.26(b) Indenture relating to the 8.625% Senior Notes due 2009, dated as of March 17, 1999, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 10.26(c) Indenture relating to the 9.920% Senior Discount Notes due 2011, dated as of March 17, 1999, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))
- 10.27 Indenture, dated as of April 9, 1998, by and among Renaissance Media (Louisiana) LLC, Renaissance Media (Tennessee) LLC, Renaissance Media Capital Corporation, Renaissance Media Group LLC and United States Trust Company of New York, as trustee (Incorporated by reference to the registration statement on Forms S-4 of Renaissance Media Group LLC, Renaissance Media (Tennessee) LLC, Renaissance Media (Louisiana) LLC and Renaissance Media Capital Corporation filed on June 12, 1998 (File No. 333-56679))
- 10.28 Indenture, dated January 15, 1996, by and among Rifkin Acquisition Partners, L.L.L.P., Rifkin Acquisition Capital Corp., as issuers, Cable Equities of Colorado Management Corp., FNI Management Corp., Cable Equities of Colorado, Ltd., Cable Equities, Inc. and Rifkin/Tennessee, Ltd., as Subsidiary Guarantors, and Marine Midland Bank, as trustee (Incorporated by reference to the registration statement on Form S-1 of Rifkin Acquisition Capital Corp. and Rifkin Acquisition Partners, L.L.L.P. filed on April 2, 1996 (File No. 333-3084))
- 10.29(a) Indenture, dated as of December 10, 1998, by and among Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC and Avalon Cable Holdings Finance, Inc., as issuers and The Bank of New York, as trustee for the Notes (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on April 18, 2000 (File No. 333-77499))
- 10.29(b) Supplemental Indenture, dated as of March 26, 1999, by and among Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC and Avalon Cable Holdings Finance, Inc., as issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as trustee for the Notes (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. filed on May 28, 1999 (File No. 333-75415))
- 10.30 Indenture relating to 5.75% Convertible Senior Notes due 2005, dated as of October 25, 2000, among Charter Communications, Inc. and BNY Midwest Trust Company as trustee (Incorporated by reference to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2000 (File No. 000-27927))

- 10.31 Registration Rights Agreement relating to 5.75% Convertible Senior Notes due 2005, dated as of October 30, 2000, among Charter Communications, Inc., Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co., and Merrill Lynch Pierce, Fenner & Smith Incorporated (Incorporated by reference to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2000 (File No. 000-27927))
- 10.32(a)(1) Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10 3/4% convertible senior notes due 2009 (Incorporated by reference to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 2, 2001 (File No. 333-54902))
- 10.32(a)(2) Exchange and Registration Rights Agreement, dated as of January 10, 2001, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Morgan Stanley & Co., Incorporated, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., and RBC Dominion Securities Corporation, relating to the 10 3/4% convertible senior notes due 2009 (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 8, 2001 (File No. 333-54902))
- 10.32(b)(1) Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 11 1/8% convertible senior notes due 2011 (Incorporated by reference to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 2, 2001 (File No. 333-54902))
- 10.32(b)(2) Exchange and Registration Rights Agreement, dated as of January 10, 2001, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Morgan Stanley & Co., Incorporated, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., and RBC Dominion Securities Corporation, relating to the 11 1/8% convertible senior notes due 2011 (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 8, 2001 (File No. 333-54902))
- 10.32(c)(1) Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 13 1/2% convertible senior discount notes due 2011 (Incorporated by reference to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 2, 2001 (File No. 333-54902))
- 10.32(c)(2) Exchange and Registration Rights Agreement, dated as of January 10, 2001, by and among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation, Morgan Stanley & Co., Incorporated, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., and RBC Dominion Securities Corporation, relating to the 13 1/2% convertible senior discount notes due 2011 (Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 filed by Charter Communications Holdings, LLC on February 8, 2001 (File No. 333-54902))
- 10.33(a)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 9.625% Senior Notes due 2009 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))

- 10.33(a)(2) Exchange and Registration Rights Agreement relating to 9.625% Senior Notes due 2009, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 10.34(a)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.000% Senior Notes due 2011 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 10.34(a)(2) Exchange and Registration Rights Agreement relating to 10.000% Senior Notes due 2011, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 10.35(a)(1) Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 11.750% Senior Discount Notes due 2011 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 10.35(a)(2) Exchange and Registration Rights Agreement relating to 11.750% Senior Discount Notes due 2011, dated as of May 15, 2001, among Charter Communications Holding Company, LLC, Charter Communications Capital Corporation, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., JP Morgan, a Division of Chase Securities Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., BMO Nesbitt Burns Corp. and Dresdner Kleinwort Wasserstein Securities LLC (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 10.36 Indenture dated May 30, 2001 between Charter Communications, Inc. and BNY Midwest Trust Company as Trustee governing 4.75% Convertible Senior Notes due 2006 (Incorporated by reference to the report on Form 8-K filed by Charter Communications, Inc. on May 30, 2001 (File No. 000-27927))
- 12.1 Statement Regarding Ratio of Earnings to Fixed Charges\*
- 21.1 Subsidiaries of Charter Communications Holdings, LLC\*
- 23.1 Consent of Paul, Hastings, Janofsky & Walker LLP (contained in Exhibit No. 5.1)\*
- 23.2 Consent of Arthur Andersen LLP
- 23.3 Consent of KPMG LLP
- 23.4 Consent of Ernst & Young LLP
- 23.5 Consent of Ernst & Young LLP
- 23.6 Consent of KPMG LLP
- 23.7 Consent of PricewaterhouseCoopers LLP

23.8	Consent of PricewaterhouseCoopers LLP
23.9	Consent of Ernst & Young LLP
23.10	Consent of PricewaterhouseCoopers LLP
23.11	Consent of PricewaterhouseCoopers LLP
23.12	Consent of Greenfield, Altman, Brown, Berger & Katz, P.C.
23.13	Consent of PricewaterhouseCoopers LLP
23.14	Consent of Ernst & Young LLP
23.15	Consent of KPMG LLP
23.16	Consent of KPMG LLP
23.17	Consent of Ernst & Young LLP
23.18	Consent of Ernst & Young LLP
23.19	Consent of Ernst & Young LLP
23.20	Consent of Shields & Co.
25.1	Statement of eligibility of trustee*

- - - - -

\* Previously filed.

#### FINANCIAL STATEMENT SCHEDULES

Schedules not listed above are omitted because of the absence of the conditions under which they are required or because the information required by such omitted schedules is set forth in the financial statements or the notes thereto.

#### ITEM 22. UNDERTAKINGS.

The undersigned registrants hereby undertake that:

(1) Prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to the reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) Every prospectus: (i) that is filed pursuant to the immediately preceding paragraph or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Charter Communications Holdings, LLC has duly caused this Amendment No. 1 to Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of St. Louis, State of Missouri on the 31st day of July 2001.

CHARTER COMMUNICATIONS HOLDINGS, LLC:  
a registrant

By: CHARTER COMMUNICATIONS HOLDING  
COMPANY, LLC, its sole member

By: CHARTER COMMUNICATIONS, INC., its member  
and manager, and the manager of Charter  
Communications Holdings, LLC

By: /s/ CURTIS S. SHAW

-----  
Name: Curtis S. Shaw  
Title: Senior Vice President, General  
Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

CAPACITY WITH  
CHARTER  
COMMUNICATIONS,  
INC., THE  
MANAGER OF  
CHARTER  
COMMUNICATIONS  
HOLDINGS, LLC  
AND THE MANAGER  
OF CHARTER  
COMMUNICATIONS  
HOLDING  
COMPANY, LLC,  
THE SOLE MEMBER  
OF SIGNATURE  
CHARTER  
COMMUNICATIONS  
HOLDINGS, LLC  
DATE -----  
-----  
-----  
-----

---- \* Director  
July 31, 2001 -  
-----  
-----

-----  
William D.  
Savoy \*  
President,  
Chief Executive  
Officer and  
Director July  
31, 2001 - ----  
-----  
-----

-----  
(Principal  
Executive  
Officer) Jerald  
L. Kent \*  
Director July  
31, 2001 - ----  
-----  
-----

----- Nancy  
B. Peretsman \*  
Director July  
31, 2001 - ----  
-----

----- Marc  
B. Nathanson \*  
Director July  
31, 2001 - ----  
-----

----- Ronald  
L. Nelson \*  
Director July  
31, 2001 - ----  
-----

----- Howard  
L. Wood \*  
Executive Vice  
President and  
Chief Financial  
July 31, 2001 -  
-----

-----  
Officer  
(Principal  
Financial  
Officer and  
Principal Kent  
D. Kalkwarf  
Accounting  
Officer)

\*By: /s/ CURTIS S. SHAW

-----  
Curtis S. Shaw,  
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Charter Communications Holdings Capital Corporation has duly caused this Amendment No. 1 to Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of St. Louis, State of Missouri on the 31st day of July 2001.

CHARTER COMMUNICATIONS HOLDINGS CAPITAL CORPORATION, a registrant

By: /s/ CURTIS S. SHAW

-----  
Name: Curtis S. Shaw  
Title: Senior Vice President,  
General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE  
CAPACITY  
DATE -----  
-----  
----- \*  
President,  
Chief  
Executive  
Officer  
and  
Director  
July 31,  
2001 - ---  
-----  
-----  
-----

---  
(Principal  
Executive  
Officer)  
Jerald L.  
Kent \*  
Executive  
Vice  
President  
and Chief  
Financial  
Officer  
July 31,  
2001 - ---  
-----  
-----  
-----

---  
Officer  
(Principal  
Financial  
Officer  
and Kent  
D.  
Kalkwarf  
Principal  
Accounting  
Officer)

\*By: /s/ CURTIS S. SHAW  
-----  
Curtis S. Shaw, Attorney-in-Fact



## EXHIBIT INDEX

EXHIBIT  
DESCRIPTION ---  
-----  
- 2.1 Merger  
Agreement,  
dated March 31,  
1999, by and  
between Charter  
Communications  
Holdings, LLC  
and Marcus  
Cable Holdings,  
LLC  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
2.2(a)  
Membership  
Purchase  
Agreement,  
dated as of  
January 1,  
1999, by and  
between ACEC  
Holding  
Company, LLC  
and Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.2(b)  
Assignment of  
Membership  
Purchase  
Agreement,  
dated as of  
February 23,  
1999, by and  
between Charter  
Communications,  
Inc. (now

called Charter  
Investment,  
Inc.) and  
Charter  
Communications  
Entertainment  
II, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.3(a) Asset  
Purchase  
Agreement,  
dated as of  
February 17,  
1999, among  
Greater Media,  
Inc., Greater  
Media  
Cablevision,  
Inc. and  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.3(b)  
Assignment of  
Asset Purchase  
Agreement,  
dated as of  
February 23,  
1999, by and  
between Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.) and  
Charter  
Communications  
Entertainment  
I, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the

registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499))

2.4 Purchase Agreement, dated as of February 23, 1999, by and among Charter Communications, Inc. (now called Charter Investment, Inc.), Charter Communications, LLC, Renaissance Media Holdings LLC and Renaissance Media Group LLC (Incorporated by reference to the report on Form 8-K of Renaissance Media Group LLC filed on March 1, 1999 (File No. 333-56679))

2.5 Purchase Agreement, dated as of March 22, 1999, among Charter Communications, Inc. (now called Charter Investment, Inc.), Charter Communications, LLC, Charter Helicon, LLC, Helicon Partners I, L.P., Baum Investments, Inc. and the limited partners of Helicon Partners I, L.P. (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File

No. 333-77499))  
2.6(a) Asset  
and Stock  
Purchase  
Agreement,  
dated April 20,  
1999, between  
InterMedia  
Partners of  
West Tennessee,  
L.P. and  
Charter  
Communications,  
LLC  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))

EXHIBIT  
DESCRIPTION ---  
-----

- 2.6(b) Stock Purchase Agreement, dated April 20, 1999, between TCID 1P-V, Inc. and Charter Communications, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))

2.6(c) RMG Purchase Agreement, dated as of April 20, 1999, between Robin Media Group, Inc., InterMedia Partners of West Tennessee, L.P. and Charter RMG, LLC (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499))

2.6(d) Asset Exchange Agreement, dated April 20, 1999, among InterMedia Partners Southeast, Charter Communications, LLC, Charter Communications Properties, LLC, and Marcus Cable Associates,

L.L.C.  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
2.6(d)(i)  
Amendment to  
Asset Exchange  
Agreement, made  
as of October  
1, 1999, by and  
among  
InterMedia  
Partners  
Southeast and  
Charter  
Communications,  
LLC, Charter  
Communications  
Properties, LLC  
and Marcus  
Cable  
Associates,  
L.L.C.

(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
2.6(e) Asset  
Exchange  
Agreement,  
dated April 20,  
1999, among  
InterMedia  
Partners, a  
California  
Limited  
Partnership,  
Brenmor Cable  
Partners, L.P.  
and Robin Media  
Group, Inc.

(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June

22, 1999 (File No. 333-77499))  
2.6(f) Common Agreement, dated April 20, 1999, between InterMedia Partners, InterMedia Partners Southeast, InterMedia Partners of West Tennessee, L.P., InterMedia Capital Partners IV, L.P., InterMedia Partners IV, L.P., Brenmor Cable Partners, L.P., TCID IP-V, Inc., Charter Communications, LLC, Charter Communications Properties, LLC, Marcus Cable Associates, L.L.C. and Charter RMG, LLC  
(Incorporated by reference to Amendment No. 3 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 2, 1999 (File No. 333-77499))  
(Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)  
2.7(a) Purchase and Sale Agreement, dated as of April 26, 1999, by and among InterLink Communications Partners, LLLP, the sellers listed therein and Charter Communications, Inc. (now called Charter Investment, Inc.)  
(Incorporated by reference to

Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
2.7(b) Purchase  
and Sale  
Agreement,  
dated as of  
April 26, 1999,  
by and among  
Rifkin  
Acquisition  
Partners,  
L.L.L.P., the  
sellers listed  
therein and  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))



EXHIBIT  
DESCRIPTION ---  
-----

- 2.7(c) RAP  
Indemnity  
Agreement,  
dated April 26,  
1999, by and  
among the  
sellers listed  
therein and  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.7(d)  
Assignment of  
Purchase  
Agreement with  
InterLink  
Communications  
Partners, LLLP,  
dated as of  
June 30, 1999,  
by and between  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.) and  
Charter  
Communications  
Operating, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.7(e)  
Assignment of  
Purchase  
Agreement with  
Rifkin  
Acquisition

Partners  
L.L.L.P., dated  
as of June 30,  
1999, by and  
between Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.) and  
Charter  
Communications  
Operating, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.7(f)  
Assignment of  
RAP Indemnity  
Agreement,  
dated as of  
June 30, 1999,  
by and between  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.) and  
Charter  
Communications  
Operating, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))  
2.7(g)  
Amendment to  
the Purchase  
Agreement with  
InterLink  
Communications  
Partners, LLLP,  
dated June 29,  
1999  
(Incorporated  
by reference to  
Amendment No. 6  
to the  
registration  
statement on  
Form S-4 of

Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))

2.7(h)

Contribution  
Agreement,  
dated as of  
September 14,  
1999, by and  
among Charter  
Communications  
Operating, LLC,  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications,  
Inc., Paul G.  
Allen and the  
certain other  
individuals and  
entities listed  
on the  
signature pages  
thereto

(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter

Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))

2.7(i) Form of  
First Amendment  
to the

Contribution  
Agreement dated  
as of September  
14, 1999, by  
and among  
Charter

Communications  
Operating, LLC,  
Charter  
Communications  
Holding  
Company, LLC,  
Charter

Communications,  
Inc. and Paul  
G. Allen

(Incorporated  
by reference to  
Amendment No. 5  
to the  
registration  
statement on  
Form S-1 of  
Charter

Communications,  
Inc. filed on  
November 4,  
1999 (File No.  
333-83887)) 2.8

Contribution  
and Sale

Agreement dated  
as of December  
30, 1999, by  
and among  
Charter  
Communications  
Holding  
Company, LLC,  
CC VII  
Holdings, LLC  
and Charter  
Communications  
VII, LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 18,  
2000 (File No.  
333-77499)) 2.9  
Contribution  
and Sale

Agreement dated  
as of December  
30, 1999, by  
and among  
Charter  
Communications  
Holding  
Company, LLC  
and Charter  
Communications  
Holdings, LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 18,  
2000 (File No.  
333-77499))

EXHIBIT  
DESCRIPTION ---  
-----

- 2.10(a)  
Securities  
Purchase  
Agreement,  
dated May 13,  
1999, by and  
between Avalon  
Cable Holdings  
LLC, Avalon  
Investors,  
L.L.C., Avalon  
Cable of  
Michigan  
Holdings, Inc.  
and Avalon  
Cable LLC and  
Charter  
Communications  
Holdings LLC  
and Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 of  
Avalon Cable of  
Michigan LLC,  
Avalon Cable of  
Michigan Inc.,  
Avalon Cable of  
New England LLC  
and Avalon  
Cable Finance  
Inc. filed on  
May 28, 1999  
(File No. 333-  
75453)) 2.10(b)  
Assignment and  
Contribution  
Agreement,  
entered into as  
of October 11,  
1999 by and  
between Charter  
Communications  
Holding  
Company, LLC  
and Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
2.10(c)  
Assignment  
Agreement  
effective as of  
June 16, 1999,

by and among  
Charter  
Communications,  
Inc., Charter  
Communications  
Holdings LLC,  
Charter  
Communications  
Holding  
Company, LLC,  
Avalon Cable  
Holdings LLC,  
Avalon  
Investors,  
L.L.C., Avalon  
Cable of  
Michigan  
Holdings, Inc.  
and Avalon  
Cable LLC  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
2.11(a)  
Purchase and  
Contribution  
Agreement,  
dated as of May  
26, 1999, by  
and among  
Falcon  
Communications,  
L.P., Falcon  
Holding Group,  
L.P., TCI  
Falcon  
Holdings, LLC,  
Falcon Cable  
Trust, Falcon  
Holding Group,  
Inc. and DHN  
Inc. and  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
September 28,  
1999 (File No.  
333-83887))  
2.11(b) First  
Amendment to  
Purchase and  
Contribution  
Agreement,  
dated as of  
June 22, 1999,  
by and among  
Charter  
Communications,

Inc., Charter  
Communications  
Holding  
Company, LLC,  
Falcon  
Communications,  
L.P., Falcon  
Holding Group,  
L.P., TCI  
Falcon  
Holdings, LLC,  
Falcon Cable  
Trust, Falcon  
Holding Group,  
Inc. and DHN  
Inc.  
(Incorporated  
by reference to  
the quarterly  
report on Form  
10-Q filed by  
Falcon  
Communications,  
L.P. and Falcon  
Funding  
Corporation on  
August 13, 1999  
(File Nos. 333-  
60776 and 333-  
55755)) 2.11(c)  
Form of Second  
Amendment to  
Purchase And  
Contribution  
Agreement,  
dated as of  
October 27,  
1999, by and  
among Charter  
Investment,  
Inc., Charter  
Communications  
Holding  
Company, LLC,  
Falcon  
Communications,  
L.P., Falcon  
Holding Group,  
L.P., TCI  
Falcon  
Holdings, LLC,  
Falcon Holding  
Group, Inc. and  
DHN Inc.  
(Incorporated  
by reference to  
Amendment No. 5  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
November 4,  
1999 (File No.  
333-83887))  
2.11(d) Third  
Amendment to  
Purchase and  
Contribution  
Agreement dated  
as of November  
12, 1999, by  
and among  
Charter  
Communications,  
Inc., Falcon  
Communications  
L.P., Falcon  
Holdings Group,

L.P., TCI  
Falcon  
Holdings, LLC,  
Falcon Cable  
Trust, Falcon  
Holding Group,  
Inc. and DHN  
Inc.  
(Incorporated  
by reference to  
the report on  
Form 8-K of CC  
VII Holdings,  
LLC and Falcon  
Funding  
Corporation  
filed on  
November 26,  
1999 (File No.  
033-60776))



EXHIBIT  
DESCRIPTION ---  
-----  
- 2.12(a)  
Purchase  
Agreement,  
dated as of May  
21, 1999, among  
Blackstone TWF  
Capital  
Partners, L.P.,  
Blackstone TWF  
Capital  
Partners A  
L.P.,  
Blackstone TWF  
Capital  
Partners B  
L.P.,  
Blackstone TWF  
Family  
Investment  
Partnership,  
L.P., RCF  
Carry, LLC,  
Fanch  
Management  
Partners, Inc.,  
PBW Carried  
Interest, Inc.,  
RCF Indiana  
Management  
Corp, The  
Robert C. Fanch  
Revocable  
Trust, A. Dean  
Windry, Thomas  
Binning, Jack  
Pottle,  
SDG/Michigan  
Communications  
Joint Venture,  
Fanch-JV2  
Master Limited  
Partnership,  
Cooney Cable  
Associates of  
Ohio, Limited  
Partnership,  
North Texas  
Cablevision,  
LTD., Post  
Cablevision of  
Texas, Limited  
Partnership,  
Spring Green  
Communications,  
L.P., Fanch-  
Narragansett  
CSI Limited  
Partnership,  
and Fanch  
Cablevision of  
Kansas General  
Partnership and  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on

Form S-1 of  
Charter  
Communications,  
Inc. filed on  
September 28,  
1999 (File No.  
333-83887))  
2.12(b)  
Assignment of  
Purchase  
Agreement by  
and between  
Charter  
Investment,  
Inc. and  
Charter  
Communications  
Holding  
Company, LLC,  
effective as of  
September 21,  
1999  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
2.13 Purchase  
and  
Contribution  
Agreement,  
entered into as  
of June 1999,  
by and among  
BCI (USA), LLC,  
William  
Bresnan,  
Blackstone BC  
Capital  
Partners L.P.,  
Blackstone BC  
Offshore  
Capital  
Partners L.P.,  
Blackstone  
Family  
Investment  
Partnership III  
L.P., TCID of  
Michigan, Inc.  
and TCI Bresnan  
LLC and Charter  
Communications  
Holding  
Company, LLC  
(now called  
Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
September 28,  
1999 (File No.  
333-83887))  
2.14(a)(1)

Asset Purchase Agreement, dated as of February 26, 2001, among Marcus Cable of Alabama, L.L.C., on the one hand, and TCI of Selma, Inc., TCI of Lee County, Inc., TCI Cablevision of Alabama, Inc., Alabama T.V. Cable, Inc. and TCI Southeast, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927)) 2.14(a)(2) First Amendment to Asset Purchase Agreement, dated as of June 30, 2001, between Marcus Cable of Alabama, L.L.C., on the one hand, and TCI of Selma, Inc., TCI of Lee County, Inc., TCI Cablevision of Alabama, Inc., Alabama T.V. Cable, Inc. and TCI Southeast, Inc., on the other 2.14(b) (1) Reorganization Agreement, dated as of February 26, 2001, among Charter Communications, Inc., on the one hand, and TCI TKR of Alabama, Inc. and TCI Southeast, Inc., on the other hand (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 6, 2001 (File No. 000-27927)) 2.14(b)(2) First Amendment

to  
Reorganization  
Agreement,  
dated as of  
June 30, 2001,  
between Charter  
Communications,  
Inc. and Marcus  
Cable of  
Alabama,  
L.L.C., on the  
one hand, and  
TCI TKR of  
Alabama, Inc.  
and TCI  
Southeast on  
the other  
2.14(c)(1)  
Asset Purchase  
Agreement,  
dated as of  
February 26,  
2001, among  
Falcon Cable  
Systems Company  
II, L.P., on  
the one hand,  
and AT&T  
Broadband, LLC,  
Communication  
Services, Inc.,  
Ohio  
Cablevision  
Network, Inc.,  
TCI Cablevision  
of California,  
Inc. and TCI  
Washington  
Associates,  
L.P., on the  
other hand  
(Incorporated  
by reference to  
the annual  
report on Form  
10-K filed by  
Charter  
Communications,  
Inc. on March  
6, 2001 (File  
No. 000-27927))  
2.14(c)(2)  
First Amendment  
to Asset  
Purchase  
Agreement,  
dated as of  
June 30, 2001,  
between Falcon  
Cable Systems  
Company II,  
L.P., on the  
one hand and  
AT&T Broadband,  
LLC,  
Communications  
Services, Inc.,  
Ohio  
Cablevision  
Network, Inc.,  
TCI Cablevision  
of California,  
Inc. and TCI  
Washington  
Associates,  
L.P., on the  
other\*

## EXHIBIT

## DESCRIPTION -----

-----  
 2.14(d)(1)  
 Reorganization  
 Agreement, dated  
 as of February 26,  
 2001, among  
 Charter  
 Communications,  
 Inc., on the one  
 hand, and TCI  
 Cablevision of  
 Nevada, Inc. and  
 TCI West, Inc., on  
 the other hand  
 (Incorporated by  
 reference to the  
 annual report on  
 Form 10-K filed by  
 Charter  
 Communications,  
 Inc. on March 6,  
 2001 (File No.  
 000-27927))

2.14(d)(2) First  
 Amendment to  
 Reorganization  
 Agreement, dated  
 as of June 30,  
 2001, between  
 Charter  
 Communications,  
 Inc., on the one  
 hand, and TCI  
 Cablevision of  
 Nevada, Inc. and  
 TCI West, Inc., on  
 the other\* 2.14(e)

(1) Asset Purchase  
 Agreement, dated  
 as of February 26,  
 2001, among  
 Charter  
 Communications,  
 Inc., Interlink  
 Communications  
 Partners, LLC,  
 Charter  
 Communications,  
 LLC and Falcon  
 Cable Media, on  
 the one hand, and  
 TCI Cable Partners  
 of St. Louis, L.P.  
 and TCI  
 Cablevision of  
 Missouri, Inc., on  
 the other hand  
 (Incorporated by  
 reference to the  
 annual report on  
 Form 10-K filed by  
 Charter  
 Communications,  
 Inc. on March 6,  
 2001 (File No.  
 000-27927))

2.14(e)(2) First  
 Amendment to Asset  
 Purchase  
 Agreement, dated  
 as of June 30,  
 2001, between  
 Charter  
 Communications,  
 Inc., Interlink

Communications  
Partners, LLC,  
Charter  
Communications,  
LLC and Falcon  
Cable Media, on  
the one hand, and  
TCI Cable Partners  
of St. Louis, L.P.  
and TCI

Cablevision of  
Missouri, Inc., on  
the other\* 2.14(f)  
(1) Asset Purchase  
Agreement, dated  
as of February 26,  
2001, among  
Charter

Communications  
Entertainment I,  
LLC, on the one  
hand, and St.  
Louis

Telecommunications,  
Inc., TCI Cable  
Partners of St.  
Louis, L.P., TCI  
Cablevision of  
Missouri, Inc.,  
TCI of Illinois,  
Inc., TCI TKR of  
Central Florida,  
Inc. and TCI

Holdings, Inc., on  
the other hand  
(Incorporated by  
reference to the  
annual report on  
Form 10-K filed by  
Charter

Communications,  
Inc. on March 6,  
2001 (File No.  
000-27927))

2.14(f)(2) First  
Amendment to Asset  
Purchase  
Agreement, dated  
as of June 30,  
2001, between  
Charter

Communications  
Entertainment I,  
LLC, on the one  
hand, and St.  
Louis

Telecommunications,  
Inc., TCI Cable  
Partners of St.  
Louis, L.P., TCI  
Cablevision of  
Missouri, Inc.,  
TCI of Illinois,  
Inc., TCI TKR of  
Central Florida,  
Inc. and TCI

Holdings, Inc., on  
the other\* 2.14(g)  
(1) Agreement  
Regarding Closing  
Matters, dated as  
of February 26,  
2001, among  
Charter

Communications,  
Inc., on behalf of  
itself, Marcus  
Cable of Alabama,  
L.L.C., Falcon  
Cable Systems  
Company II, L.P.,

Interlink  
Communications  
Partners, LLC,  
Charter  
Communications,  
LLC, Falcon Cable  
Media, and Charter  
Communications  
Entertainment I,  
LLC, on the one  
hand and AT&T  
Broadband, LLC, on  
behalf of itself,  
TCI TKR of  
Alabama, Inc., TCI  
of Selma, Inc.,  
TCI of Lee County,  
TCI Cablevision of  
Alabama, Inc. and  
Alabama T.V.  
Cable, Inc., TCI  
Southeast, Inc.,  
TCI Cablevision of  
Nevada, Inc., TCI  
West, Inc.,  
Communication  
Services, Inc.,  
Ohio Cablevision  
Network, Inc., TCI  
Cablevision of  
California, Inc.,  
TCI Washington  
Associates, L.P.,  
TCI of Illinois,  
Inc., TCI  
Cablevision of  
Missouri, Inc.,  
St. Louis Tele-  
Communications,  
Inc., TCI Cable  
Partners of St.  
Louis, L.P., TCI  
TKR of Central  
Florida, Inc. and  
TCI Holdings,  
Inc., on the other  
hand (Incorporated  
by reference to  
the annual report  
on Form 10-K filed  
by Charter  
Communications,  
Inc. on March 6,  
2001 (File No.  
000-27927))  
2.14(g)(2) First  
Amendment to  
Agreement  
Regarding Closing  
Matters, dated as  
of June 30, 2001,  
among Charter  
Communications,  
Inc., on behalf of  
the Charter  
Entities, and AT&T  
Broadband, LLC, on  
behalf of the AT&T  
Entities\* 2.14(h)  
Assignment Letter  
Agreement, dated  
as of June 30,  
2001, between  
Charter  
Communications,  
Inc. and Marcus  
Cable of Alabama,  
L.L.C.\* 2.14(i)  
Assignment Letter  
Agreement, dated  
as of June 30,

2001, between  
Charter  
Communications,  
Inc. and Falcon  
Cable Systems  
Company II, L.P.\*



EXHIBIT  
DESCRIPTION ---  
-----

## - 3.1

Certificate of  
Formation of  
Charter

Communications  
Holdings, LLC  
(Incorporated  
by reference to  
Amendment No. 2  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital

Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))

3.2 Limited  
Liability  
Company

Agreement of  
Charter

Communications  
Holdings, LLC  
(Incorporated  
by reference to  
Amendment No. 2  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital

Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))

3.3 Certificate  
of

Incorporation  
of Charter

Communications  
Holdings  
Capital  
Corporation

(Incorporated  
by reference to  
Amendment No. 2  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital

Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))

3.4 By-Laws of  
Charter  
Communications  
Holdings  
Capital  
Corporation  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
4.1(a)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
9.625% Senior  
Notes due 2009  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
4.1(a)(2)  
Exchange and  
Registration  
Rights  
Agreement  
relating to  
9.625% Senior  
Notes due 2009,  
dated as of May  
15, 2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,  
Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,

Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
4.1(b)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
10.000% Senior  
Notes due 2011  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
4.1(b)(2)  
Exchange and  
Registration  
Rights  
Agreement  
relating to  
10.000% Senior  
Notes due 2011,  
dated as of May  
15, 2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,

Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,  
Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
4.1(c)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
11.750% Senior  
Discount Notes  
due 2011  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))

EXHIBIT  
DESCRIPTION ---

-----  
- 4.1(c)(2)  
Exchange and  
Registration  
Rights  
Agreement  
relating to  
11.750% Senior  
Discount Notes  
due 2011, dated  
as of May 15,  
2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,  
Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,  
Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927)) 5.1  
Opinion of  
Paul, Hastings,  
Janofsky &  
Walker LLP  
regarding  
legality\* 8.1  
Opinion of  
Paul, Hastings,  
Janofsky &  
Walker LLP  
regarding tax  
matters\* 10.1  
Credit  
Agreement,  
dated as of

March 18, 1999,  
between Charter  
Communications  
Operating, LLC,  
and certain  
lenders and  
agents named  
therein

(Incorporated  
by reference to  
Amendment No. 2  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter

Communications  
Holdings  
Capital  
Corporation

filed on June  
22, 1999 (File  
No. 333-77499))

10.1(a) First  
Amendment to  
Credit

Agreement dated  
as of June 28,  
1999 between  
Charter

Communications  
Operating, LLC,  
Charter

Communications  
Holdings LLC  
and certain  
lenders and  
agents named  
therein

(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter

Communications  
Holdings  
Capital  
Corporation

filed on  
January 25,  
2000 (File No.  
333-95351))

10.1(b) Second  
Amendment to  
Credit

Agreement dated  
as of December  
14, 1999  
between Charter

Communications  
Operating, LLC,  
Charter

Communications  
Holdings LLC  
and certain  
lenders and  
agents named  
therein

(Incorporated  
by reference to  
the  
registration  
statement on

Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File No.  
333-95351))  
10.1(c) Third  
Amendment to  
Credit  
Agreement dated  
as of March 18,  
2000, between  
Charter  
Communications  
Operating, LLC,  
Charter  
Communications,  
LLC and certain  
lenders and  
agents named  
therein  
(Incorporated  
by reference to  
the annual  
report on Form  
10-K filed by  
Charter  
Communications,  
Inc. on March  
30, 2000 (File  
No. 333-83887))  
10.2(a)(1) Form  
of Second  
Amended  
Management  
Agreement,  
dated as of  
November 9,  
1999, by and  
among Charter  
Investment,  
Inc., Charter  
Communications,  
Inc. and  
Charter  
Communications  
Operating, LLC  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
10.2(b) First  
Amended and  
Restated Mutual  
Services  
Agreement,  
dated as of  
December 21,  
2000, by and  
between Charter  
Communications,  
Inc., Charter  
Investment,  
Inc. and  
Charter

Communications  
Holding  
Company, LLC  
(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
filed on  
February 2,  
2001 (File No.  
333-54902))  
10.2(c) Form of  
Management  
Agreement,  
dated as of  
November 9,  
1999, by and  
between Charter  
Communications  
Holding  
Company, LLC  
and Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
10.2(d)  
Management  
Agreement,  
dated as of  
November 12,  
1999, by and  
between CC VI  
Operating  
Company, LLC  
and Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on April  
18, 2000 (File  
No. 333-77499))



EXHIBIT  
DESCRIPTION ---  
-----

- 10.2(e)  
Management  
Agreement,  
dated as of  
November 12,  
1999 by and  
between Falcon  
Cable  
Communications,  
LLC and Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on April  
18, 2000 (File  
No. 333-77499))  
10.2(f)  
Management  
Agreement dated  
as of February  
14, 2000, by  
and between CC  
VIII Operating,  
LLC, certain  
subsidiaries of  
CC VIII  
Operating, LLC  
and Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
the annual  
report on Form  
10-K filed by  
Charter  
Communications,  
Inc. on March  
30, 2000 (File  
No. 333-83887))  
10.3 Consulting  
Agreement,  
dated as of  
March 10, 1999,  
by and between  
Vulcan  
Northwest Inc.,  
Charter  
Communications,  
Inc. (now  
called Charter  
Investment  
Inc.) and  
Charter  
Communications  
Holdings, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration

statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))

10.4 Charter  
Communications  
Holdings, LLC  
1999 Option  
Plan

(Incorporated  
by reference to  
Amendment No. 4  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital

Corporation  
filed on July  
22, 1999 (File  
No. 333-77499))

10.4(a)  
Assumption  
Agreement  
regarding  
option plan,  
dated as of May  
25, 1999, by  
and between

Charter  
Communications  
Holdings, LLC  
and Charter  
Communications

Holding  
Company, LLC  
(Incorporated  
by reference to  
Amendment No. 6  
to the

registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications

Holding  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))

10.4(b) Form of  
Amendment No. 1  
to the Charter  
Communications  
Holdings, LLC  
1999 Option  
Plan

(Incorporated  
by reference to  
Amendment No. 4  
to the

registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications

Holding  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))

10.4(b) Form of  
Amendment No. 1  
to the Charter  
Communications  
Holdings, LLC  
1999 Option  
Plan  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration

statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
November 1,  
1999 (File No.  
333-83887))

10.4(c)  
Amendment No. 2  
to the Charter  
Communications  
Holdings, LLC  
1999 Option  
Plan

(Incorporated  
by reference to  
the annual  
report on Form  
10-K filed by  
Charter

Communications,  
Inc. on March  
30, 2000 (File  
No. 333-83887))

10.5 Membership  
Interests  
Purchase

Agreement,  
dated July 22,  
1999, by and  
between Charter  
Communications  
Holding

Company, LLC  
and Paul G.  
Allen

(Incorporated  
by reference to  
Amendment No. 6  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications

Holdings  
Capital  
Corporation

filed on August  
27, 1999 (File  
No. 333-77499))

10.6 Employment  
Agreement,  
dated as of

August 28,  
1998, between  
Jerald L. Kent  
and Paul G.  
Allen

(Incorporated  
by reference to  
Amendment No. 5  
to the

registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications

Holdings  
Capital  
Corporation

filed on August  
10, 1999 (File  
No. 333-77499))



EXHIBIT  
DESCRIPTION ---  
-----

- 10.7

Assignment of  
Employment  
Agreements,  
dated as of  
December 23,  
1998, between  
Paul G. Allen  
and Charter  
Communications,  
Inc. (now  
called Charter  
Investment,  
Inc.)  
(Incorporated  
by reference to  
Amendment No. 6  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))

10.8(a) Option  
Agreement,  
dated as of  
February 9,  
1999, between  
Jerald L. Kent  
and Charter  
Communications  
Holdings, LLC  
(Incorporated  
by reference to  
Amendment No. 6  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))

10.8(b)  
Amendment to  
the Option  
Agreement,  
dated as of  
August 23,  
1999, between  
Jerald L. Kent  
and Charter  
Communications  
Holding  
Company, LLC  
(Incorporated  
by reference to  
Amendment No. 6  
to the

registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499))

10.8(c) Form of Amendment to the Option Agreement, dated as of November 8, 1999, by and among Jerald L. Kent, Charter Communications Holding Company, LLC and Charter Communications, Inc. (Incorporated by reference to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File No. 333-83887))

10.9 Letter Agreement, dated as of July 22, 1999 between Charter Communications Holding Company, LLC and Charter Communications Holdings, LLC (Incorporated by reference to Amendment No. 5 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 10, 1999 (File No. 333-77499))

10.10 Amendment to Membership Interests Purchase Agreement, dated as of August 10, 1999, by and among Charter Communications

Holding  
Company, LLC,  
Vulcan Cable  
III Inc. and  
Paul G. Allen  
(Incorporated  
by reference to  
Amendment No. 6  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on August  
27, 1999 (File  
No. 333-77499))  
10.11 Form of  
Assignment and  
Assumption  
Agreement,  
dated as of  
November 4,  
1999, by and  
between Charter  
Investment,  
Inc. and  
Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
September 28,  
1999 (File No.  
333-83887))  
10.12 Form of  
Registration  
Rights  
Agreement,  
dated as of  
November 12,  
1999, by and  
among Charter  
Communications,  
Inc., Charter  
Investment,  
Inc., Vulcan  
Cable III Inc.,  
Mr. Paul G.  
Allen, Mr.  
Jerald L. Kent,  
Mr. Howard L.  
Wood and Mr.  
Barry L.  
Babcock  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.

333-83887))  
10.13 Form of  
Consulting  
Agreement,  
dated as of  
November 1,  
1999, by and  
between Howard  
L. Wood and  
Charter  
Communications,  
Inc.  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
November 1,  
1999 (File No.  
333-83887))  
10.14 Form of  
Termination of  
Employment  
Agreement,  
dated as of  
November 1,  
1999, by and  
between Howard  
L. Wood and  
Charter  
Investment,  
Inc.,  
Communications,  
Inc. and  
Charter  
Communications  
Holding  
Company, LLC  
(Incorporated  
by reference to  
Amendment No. 4  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
November 1,  
1999 (File No.  
333-83887))



## EXHIBIT

## DESCRIPTION ---

-----

- 10.15 Letter Agreement, dated September 21, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Charter Communications Holding Company, Inc. and Vulcan Ventures Inc. (Incorporated by reference to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887))

10.16 Second Amended and Restated Credit Agreement dated as of February 2, 1999, as Amended and Restated as of January 2, 2001 by and among CC VIII Operating, LLC, as borrower, CC VIII Holdings, LLC, as guarantor, and several financial institutions or entities named therein (Incorporated by reference to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 333-83887))

10.17 Form of Credit Agreement, dated as of June 30, 1998, as Amended and Restated as of November 12, 1999, among Falcon Cable Communications, LLC, certain guarantors and several financial institutions or

entities named  
therein  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter

Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
10.18 Credit  
Agreement,  
dated as of  
November 12,  
1999, among CC  
VI Holdings,  
LLC, CC VI  
Operating  
Company, LLC  
and several  
financial

institutions or  
entities named  
therein  
(Incorporated  
by reference to  
the report on  
Form 8-K of  
Charter

Communications,  
Inc. filed on  
November 29,  
1999 (File No.  
333-83887))  
10.19 Amended  
and Restated  
Limited  
Liability  
Company  
Agreement for  
Charter  
Communications  
Holding  
Company, LLC,  
dated January  
1, 2001

(Incorporated  
by reference to  
the current  
report on Form  
8-K of Charter  
Communications,  
Inc. filed on  
May 23, 2001  
(File No. 000-  
27927))

10.19(a) First  
Amendment to  
the Amended and  
Restated  
Limited  
Liability  
Company  
Agreement for  
Charter  
Communications  
Holding  
Company, LLC,  
dated September  
13, 2000

(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on

Form S-1 of  
Charter  
Communications,  
Inc. filed on  
September 22,  
2000 (File No.  
333-41486))  
10.20 Letter  
Agreement,  
dated May 25,  
1999, between  
Charter  
Communications,  
Inc. and Marc  
Nathanson  
(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File No.  
333-95351))  
10.21 Exchange  
Agreement,  
dated as of  
February 14,  
2000, by and  
among Charter  
Communications,  
Inc., BCI  
(USA), LLC,  
William J.  
Bresnan,  
Blackstone BC  
Capital  
Partners L.P.,  
Blackstone BC  
Offshore  
Capital  
Partners L.P.,  
Blackstone  
Family Media,  
III L.P. (as  
assignee of  
Blackstone  
Family  
Investment III  
L.P.), TCID of  
Michigan, Inc.,  
and TCI Bresnan  
LLC  
(Incorporated  
by reference to  
the current  
report on Form  
8-K of Charter  
Communications,  
Inc. filed on  
February 29,  
2000 (File No.  
333-83887))  
10.22 Form of  
Exchange  
Agreement,  
dated as of  
November 12,  
1999 by and  
among Charter  
Investments,  
Inc., Charter

Communications,  
Inc., Vulcan  
Cable III Inc.  
and Paul G.  
Allen  
(Incorporated  
by reference to  
Amendment No. 3  
to the  
registration  
statement on  
Form S-1 of  
Charter  
Communications,  
Inc. filed on  
October 18,  
1999 (File No.  
333-83887))  
10.23(a)  
Indenture  
relating to the  
10.00% Senior  
notes due 2009,  
dated as of  
January 12,  
2000, between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
Harris Trust  
and Savings  
Bank  
(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File No.  
333-95351))

EXHIBIT  
DESCRIPTION -  
-----

-----  
10.23(b) Form  
of 10.00%  
Senior Note  
due 2010  
(included in  
Exhibit No.  
4.1(a))  
(Incorporated  
by reference  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File  
No. 333-  
95351))  
10.23(c)  
Exchange and  
Registration  
Rights  
Agreement,  
dated January  
12, 2000, by  
and among  
Charter  
Communications  
Holdings,  
LLC, Charter  
Communications  
Holdings  
Capital  
Corporation,  
Goldman,  
Sachs & Co.,  
Chase  
Securities  
Inc.,  
FleetBoston  
Robertson  
Stephens  
Inc., Merrill  
Lynch,  
Pierce,  
Fenner &  
Smith  
Incorporated,  
Morgan  
Stanley & Co.  
Incorporated,  
TD Securities  
(USA) Inc.,  
First Union  
Securities,  
Inc., PNC  
Capital  
Markets, Inc.  
and SunTrust  
Equitable  
Securities  
Corporation,  
relating to  
the 10.00%  
Senior Notes  
due 2009

(Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))  
10.24(a) Indenture relating to the 10.25% Senior Notes due 2010, dated as of January 12, 2000, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351))  
10.24(b) Form of 10.25% Senior Note due 2010 (included in Exhibit No. 4.2(a))  
(Incorporated by reference to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25,

2000 (File  
No. 333-  
95351))  
10.24(c)  
Exchange and  
Registration  
Rights  
Agreement,  
dated January  
12, 2000, by  
and among  
Charter  
Communications  
Holdings,  
LLC, Charter  
Communications  
Holdings  
Capital  
Corporation,  
Goldman,  
Sachs & Co.,  
Chase  
Securities  
Inc.,  
FleetBoston  
Robertson  
Stephens  
Inc., Merrill  
Lynch,  
Pierce,  
Fenner &  
Smith  
Incorporated,  
Morgan  
Stanley & Co.  
Incorporated,  
TD Securities  
(USA) Inc.,  
First Union  
Securities,  
Inc., PNC  
Capital  
Markets, Inc.  
and SunTrust  
Equitable  
Securities  
Corporation,  
relating to  
the 10.25%  
Senior Notes  
due 2010  
(Incorporated  
by reference  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File  
No. 333-  
95351))  
10.25(a)  
Indenture  
relating to  
the 11.75%  
Senior  
Discount  
Notes due  
2010, dated  
as of January  
12, 2000,  
among Charter

Communications  
Holdings,  
LLC, Charter  
Communications  
Holdings  
Capital  
Corporation  
and Harris  
Trust and  
Savings Bank  
(Incorporated  
by reference  
to the  
registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File  
No. 333-  
95351))

10.25(b) Form  
of 11.75%  
Senior

Discount Note  
due 2010  
(included in  
Exhibit No.  
4.3(a))

(Incorporated  
by reference  
to the  
registration  
statement on  
Form S-4 of  
Charter

Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings  
Capital  
Corporation  
filed on  
January 25,  
2000 (File  
No. 333-  
95351))



EXHIBIT  
DESCRIPTION ----

-----  
10.25(c)  
Exchange and  
Registration  
Rights  
Agreement, dated  
January 12,  
2000, by and  
among Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings Capital  
Corporation,  
Goldman, Sachs &  
Co., Chase  
Securities Inc.,  
FleetBoston  
Robertson  
Stephens Inc.,  
Merrill Lynch,  
Pierce, Fenner &  
Smith  
Incorporated,  
Morgan Stanley &  
Co.  
Incorporated, TD  
Securities (USA)  
Inc., First  
Union  
Securities,  
Inc., PNC  
Capital Markets,  
Inc. and  
SunTrust  
Equitable  
Securities  
Corporation,  
relating to the  
11.75% Senior  
Discount Notes  
due 2010  
(Incorporated by  
reference to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings Capital  
Corporation  
filed on January  
25, 2000 (File  
No. 333-95351))  
10.26(a)  
Indenture  
relating to the  
8.250% Senior  
Notes due 2007,  
dated as of  
March 17, 1999,  
between Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings Capital  
Corporation and  
Harris Trust and  
Savings Bank  
(Incorporated by  
reference to

Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
10.26(b)  
Indenture  
relating to the  
8.625% Senior  
Notes due 2009,  
dated as of  
March 17, 1999,  
among Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings Capital  
Corporation and  
Harris Trust and  
Savings Bank  
(Incorporated by  
reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings Capital  
Corporation  
filed on June  
22, 1999 (File  
No. 333-77499))  
10.26(c)  
Indenture  
relating to the  
9.920% Senior  
Discount Notes  
due 2011, dated  
as of March 17,  
1999, among  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings Capital  
Corporation and  
Harris Trust and  
Savings Bank  
(Incorporated by  
reference to  
Amendment No. 2  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings Capital  
Corporation  
filed on June  
22, 1999 (File

No. 333-77499))  
10.27 Indenture,  
dated as of  
April 9, 1998,  
by and among  
Renaissance  
Media  
(Louisiana) LLC,  
Renaissance  
Media  
(Tennessee) LLC,  
Renaissance  
Media Capital  
Corporation,  
Renaissance  
Media Group LLC  
and United  
States Trust  
Company of New  
York, as trustee  
(Incorporated by  
reference to the  
registration  
statement on  
Forms S-4 of  
Renaissance  
Media Group LLC,  
Renaissance  
Media  
(Tennessee) LLC,  
Renaissance  
Media  
(Louisiana) LLC  
and Renaissance  
Media Capital  
Corporation  
filed on June  
12, 1998 (File  
No. 333-56679))  
10.28 Indenture,  
dated January  
15, 1996, by and  
among Rifkin  
Acquisition  
Partners,  
L.L.L.P., Rifkin  
Acquisition  
Capital Corp.,  
as issuers,  
Cable Equities  
of Colorado  
Management  
Corp., FNI  
Management  
Corp., Cable  
Equities of  
Colorado, Ltd.,  
Cable Equities,  
Inc. and  
Rifkin/Tennessee,  
Ltd., as  
Subsidiary  
Guarantors, and  
Marine Midland  
Bank, as trustee  
(Incorporated by  
reference to the  
registration  
statement on  
Form S-1 of  
Rifkin  
Acquisition  
Capital Corp.  
and Rifkin  
Acquisition  
Partners, L.L.P.  
filed on April  
2, 1996 (File  
No. 333-3084))  
10.29(a)  
Indenture, dated

as of December  
10, 1998, by and  
among Avalon  
Cable of  
Michigan  
Holdings, Inc.,  
Avalon Cable LLC  
and Avalon Cable  
Holdings  
Finance, Inc.,  
as issuers and  
The Bank of New  
York, as trustee  
for the Notes  
(Incorporated by  
reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 of  
Charter  
Communications  
Holdings, LLC  
and Charter  
Communications  
Holdings Capital  
Corporation  
filed on April  
18, 2000 (File  
No. 333-77499))

EXHIBIT  
DESCRIPTION ---  
-----

- 10.29(b)  
Supplemental  
Indenture,  
dated as of  
March 26, 1999,  
by and among  
Avalon Cable of  
Michigan  
Holdings, Inc.,  
Avalon Cable  
LLC and Avalon  
Cable Holdings  
Finance, Inc.,  
as issuers,  
Avalon Cable of  
Michigan, Inc.,  
as guarantor,  
and The Bank of  
New York, as  
trustee for the  
Notes  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 of  
Avalon Cable  
LLC, Avalon  
Cable Holdings  
Finance, Inc.,  
Avalon Cable of  
Michigan  
Holdings, Inc.  
and Avalon  
Cable of  
Michigan, Inc.  
filed on May  
28, 1999 (File  
No. 333-75415))

10.30 Indenture  
relating to  
5.75%  
Convertible  
Senior Notes  
due 2005, dated  
as of October  
25, 2000, among  
Charter  
Communications,  
Inc. and BNY  
Midwest Trust  
Company as  
trustee  
(Incorporated  
by reference to  
the quarterly  
report on Form  
10-Q filed by  
Charter  
Communications,  
Inc. on  
November 14,  
2000 (File No.  
000-27927))

10.31  
Registration  
Rights  
Agreement  
relating to  
5.75%  
Convertible  
Senior Notes  
due 2005, dated

as of October  
30, 2000, among  
Charter  
Communications,  
Inc., Goldman,  
Sachs & Co.,  
Morgan Stanley  
& Co.

Incorporated,  
Bear, Stearns &  
Co., and  
Merrill Lynch  
Pierce, Fenner  
& Smith

Incorporated  
(Incorporated  
by reference to  
the quarterly  
report on Form  
10-Q filed by  
Charter

Communications,  
Inc. on

November 14,  
2000 (File No.  
000-27927))  
10.32(a)(1)

Indenture dated  
as of January  
10, 2001

between Charter  
Communications  
Holdings, LLC,  
Charter

Communications  
Holdings  
Capital

Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing 10  
3/4%

convertible  
senior notes  
due 2009

(Incorporated  
by reference to  
the

registration  
statement on  
Form S-4 filed  
by Charter

Communications  
Holdings, LLC  
on February 2,  
2001 (File No.

333-54902))  
10.32(a)(2)

Exchange and  
Registration  
Rights

Agreement,  
dated as of  
January 10,  
2001, by and  
among Charter  
Communications  
Holdings, LLC,  
Charter

Communications  
Holdings  
Capital

Corporation,  
Morgan Stanley  
& Co.,

Incorporated,  
Goldman, Sachs  
& Co., Merrill  
Lynch, Pierce,  
Fenner & Smith

Incorporated,  
Bear, Stearns &  
Co. Inc., and  
RBC Dominion  
Securities  
Corporation,  
relating to the  
10 3/4%  
convertible  
senior notes  
due 2009

(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 filed  
by Charter  
Communications  
Holdings, LLC  
on February 8,  
2001 (File No.  
333-54902))  
10.32(b)(1)  
Indenture dated  
as of January  
10, 2001

between Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing 11  
1/8%  
convertible  
senior notes  
due 2011

(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 filed  
by Charter  
Communications  
Holdings, LLC  
on February 2,  
2001 (File No.  
333-54902))  
10.32(b)(2)  
Exchange and  
Registration  
Rights

Agreement,  
dated as of  
January 10,  
2001, by and  
among Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation,  
Morgan Stanley  
& Co.,

Incorporated,  
Goldman, Sachs  
& Co., Merrill  
Lynch, Pierce,  
Fenner & Smith  
Incorporated,  
Bear, Stearns &

Co. Inc., and  
RBC Dominion  
Securities  
Corporation,  
relating to the  
11 1/8%  
convertible  
senior notes  
due 2011  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 filed  
by Charter  
Communications  
Holdings, LLC  
on February 8,  
2001 (File No.  
333-54902))  
10.32(c)(1)  
Indenture dated  
as of January  
10, 2001  
between Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing 13  
1/2%  
convertible  
senior discount  
notes due 2011  
(Incorporated  
by reference to  
the  
registration  
statement on  
Form S-4 filed  
by Charter  
Communications  
Holdings, LLC  
on February 2,  
2001 (File No.  
333-54902))



EXHIBIT  
DESCRIPTION ---  
-----

- 10.32(c)(2)  
Exchange and  
Registration  
Rights  
Agreement,  
dated as of  
January 10,  
2001, by and  
among Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation,  
Morgan Stanley  
& Co.,  
Incorporated,  
Goldman, Sachs  
& Co., Merrill  
Lynch, Pierce,  
Fenner & Smith  
Incorporated,  
Bear, Stearns &  
Co. Inc., and  
RBC Dominion  
Securities  
Corporation,  
relating to the  
13 1/2%  
convertible  
senior discount  
notes due 2011  
(Incorporated  
by reference to  
Amendment No. 1  
to the  
registration  
statement on  
Form S-4 filed  
by Charter  
Communications  
Holdings, LLC  
on February 8,  
2001 (File No.  
333-54902))  
10.33(a)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
9.625% Senior  
Notes due 2009  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
10.33(a)(2)

Exchange and  
Registration  
Rights  
Agreement  
relating to  
9.625% Senior  
Notes due 2009,  
dated as of May  
15, 2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,  
Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,  
Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
10.34(a)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
10.000% Senior  
Notes due 2011  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,

Inc. on May 30,  
2001 (File No.  
000-27927))  
10.34(a)(2)  
Exchange and  
Registration  
Rights  
Agreement  
relating to  
10.000% Senior  
Notes due 2011,  
dated as of May  
15, 2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,  
Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,  
Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
10.35(a)(1)  
Indenture dated  
as of May 15,  
2001 between  
Charter  
Communications  
Holdings, LLC,  
Charter  
Communications  
Holdings  
Capital  
Corporation and  
BNY Midwest  
Trust Company  
as Trustee  
governing  
11.750% Senior  
Discount Notes  
due 2011  
(Incorporated

by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))  
10.35(a)(2)  
Exchange and  
Registration  
Rights  
Agreement  
relating to  
11.750% Senior  
Discount Notes  
due 2011, dated  
as of May 15,  
2001, among  
Charter  
Communications  
Holding  
Company, LLC,  
Charter  
Communications  
Capital  
Corporation,  
Goldman, Sachs  
& Co., Morgan  
Stanley & Co.  
Incorporated,  
Banc of America  
Securities LLC,  
Bear, Stearns &  
Co. Inc.,  
Merrill Lynch,  
Pierce, Fenner  
& Smith  
Incorporated,  
Salomon Smith  
Barney Inc., JP  
Morgan, a  
Division of  
Chase  
Securities  
Inc., Credit  
Lyonnais  
Securities  
(USA) Inc.,  
Fleet  
Securities,  
Inc., BMO  
Nesbitt Burns  
Corp. and  
Dresdner  
Kleinwort  
Wasserstein  
Securities LLC  
(Incorporated  
by reference to  
the report on  
Form 8-K filed  
by Charter  
Communications,  
Inc. on May 30,  
2001 (File No.  
000-27927))

## EXHIBIT DESCRIPTION -

-----  
 10.36 Indenture dated  
 May 30, 2001 between  
 Charter  
 Communications, Inc.  
 and BNY Midwest Trust  
 Company as Trustee  
 governing 4.75%  
 Convertible Senior  
 Notes due 2006  
 (Incorporated by  
 reference to the  
 report on Form 8-K  
 filed by Charter  
 Communications, Inc.  
 on May 30, 2001 (File  
 No. 000-27927)) 12.1  
 Statement Regarding  
 Ratio of Earnings to  
 Fixed Charges\* 21.1  
 Subsidiaries of  
 Charter  
 Communications  
 Holdings, LLC\* 23.1  
 Consent of Paul,  
 Hastings, Janofsky &  
 Walker LLP (contained  
 in Exhibit No. 5.1)\*  
 23.2 Consent of  
 Arthur Andersen LLP  
 23.3 Consent of KPMG  
 LLP 23.4 Consent of  
 Ernst & Young LLP  
 23.5 Consent of Ernst  
 & Young LLP 23.6  
 Consent of KPMG LLP  
 23.7 Consent of  
 PricewaterhouseCoopers  
 LLP 23.8 Consent of  
 PricewaterhouseCoopers  
 LLP 23.9 Consent of  
 Ernst & Young LLP  
 23.10 Consent of  
 PricewaterhouseCoopers  
 LLP 23.11 Consent of  
 PricewaterhouseCoopers  
 LLP 23.12 Consent of  
 Greenfield, Altman,  
 Brown, Berger & Katz,  
 P.C. 23.13 Consent of  
 PricewaterhouseCoopers  
 LLP 23.14 Consent of  
 Ernst & Young LLP  
 23.15 Consent of KPMG  
 LLP 23.16 Consent of  
 KPMG LLP 23.17  
 Consent of Ernst &  
 Young LLP 23.18  
 Consent of Ernst &  
 Young LLP 23.19  
 Consent of Ernst &  
 Young LLP 23.20  
 Consent of Shields &  
 Co. 25.1 Statement of  
 eligibility of  
 trustee\*  
 -----

\* Previously filed

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports covering the audited financial statements of Charter Communications Holdings, LLC and subsidiaries, CCA Group, CharterComm Holdings, L.P. and subsidiaries, Sonic Communications Cable Television Systems, Greater Media Cablevision Systems, Marcus Cable Holdings, LLC and subsidiaries for the three months ended March 31, 1999, Helicon Partners I, L.P. and affiliates for the seven months ended July 30, 1999, and CC V Holdings, LLC and subsidiaries for the periods from January 1, 1999 through November 14, 1999 and November 15, 1999 through December 31, 1999, and to all references to our firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Charter Communications, Inc.:

We consent to the inclusion in Amendment No. 1 to the registration statement (No. 333-65094) on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report on the consolidated balance sheets of Marcus Cable Holdings, LLC and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, members' equity/partners' capital and cash flows for each of the years in the three-year period ended December 31, 1998 included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG LLP

Dallas, Texas  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 22, 1999 (except for Note 11, as to which the date is February 24, 1999), with respect to the consolidated financial statements of Renaissance Media Group LLC included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

New York, New York  
July 30, 2001



## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 22, 1999, with respect to the combined financial statements of the Picayune MS, Lafourche LA, St. Tammany LA, St. Landry LA, Pointe Coupee LA and Jackson TN cable television systems included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

New York, New York  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Charter Communications, Inc.:

We consent to the inclusion in Amendment No. 1 to the registration statement (No. 333-65094) on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report relating to the combined balance sheets of Helicon Partners I, L.P. and affiliates as of December 31, 1997 and 1998 and the related combined statements of operations, changes in partners' deficit, and cash flows for each of the years in the three-year period ended December 31, 1998 included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG LLP

New York, New York  
July 30, 2001

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holding Capital Corporation of our report dated January 6, 2000, relating to the combined financial statements of InterMedia Cable Systems which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

San Francisco, California  
July 30, 2001

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of:

- \* Our reports dated March 19, 1999, relating to the financial statements of Rifkin Acquisition Partners, L.L.L.P., and Rifkin Cable Income Partners L.P. for the year ended December 31, 1998, which appear in such Amendment No. 1 to the Registration Statement; and
  
- \* Our reports dated February 15, 2000, relating to the financial statements of Rifkin Acquisition Partners, L.L.L.P., Rifkin Cable Income Partners L.P., Indiana Cable Associates, Ltd. and R/N South Florida Cable Management Limited Partnership for the period ended September 13, 1999, which appear in such Amendment No. 1 to the Registration Statement.

We also consent to the references to us under the headings "Experts" in such Amendment No. 1 to the Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP  
Denver, Colorado  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated February 19, 1999, with respect to the consolidated financial statements of R/N South Florida Cable Management Limited Partnership and Indiana Cable Associates, Ltd. included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
July 30, 2001

## Consent Of Independent Accountants

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 for Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation (i) of our report dated March 30, 1999, except as to the agreement with Charter Communications, Inc. under which Charter Communications, Inc. agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt described in Note 12 which is as of May 13, 1999, relating to the financial statements of Avalon Cable LLC as of December 31, 1998 and 1997 and for the year ended December 31, 1998 and for the period from September 4, 1997 (inception) through December 31, 1997; (ii) of our report dated March 30, 1999, except as to the agreement with Charter Communications, Inc. under which Charter Communications, Inc. agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt described in Note 13 which is as of May 13, 1999, relating to the financial statements of Avalon Cable of Michigan Holdings, Inc., as of December 31, 1998 and 1997 and for the year ended December 31, 1998 and for the period from September 4, 1997 (inception) through December 31, 1997; and (iii) of our report dated March 30, 1999 relating to the consolidated financial statements of Cable Michigan, Inc. and subsidiaries as of December 31, 1997 and November 5, 1998 and for each of the two years in the period ended December 31, 1997 and for the period from January 1, 1998 through November 5, 1998 which appear in such Amendment No. 1 to the Registration Statement. We also consent to the references to us under the headings "Experts" in such Amendment No. 1 to the Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

Jersey City, New Jersey  
July 30, 2001

## Consent of Independent Accountants

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report dated March 30, 1999 relating to the combined financial statements of the Combined Operations of Pegasus Cable Television of Connecticut, Inc. and the Massachusetts Operations of Pegasus Cable Television, Inc. as of December 31, 1996, and 1997 and June 30, 1998 and for each of the three years in the period ended December 31, 1997 and the period from January 1, 1998 through June 30, 1998 which appear in such Amendment No. 1 to the Registration Statement. We also consent to the references to us under the headings "Experts" in such Amendment No. 1 to the Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania  
July 30, 2001

## Consent Of Independent Accountants

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report dated February 13, 1998, relating to the financial statements of Amrac Clear View, a Limited Partnership, as of December 31, 1997 and 1996 and for the three years in the period ended December 31, 1997 which appear in such Amendment No. 1 to the Registration Statement. We also consent to the references to us under the headings "Experts" in such Amendment No. 1 to the Registration Statement.

/s/ Greenfield, Altman, Brown, Berger & Katz, P.C.

Canton, Massachusetts  
July 30, 2001



## Consent Of Independent Accountants

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report dated September 11, 1998, relating to the financial statements of Amrac Clear View, a Limited Partnership, as of May 28, 1998 and for the period January 1, 1998 through May 28, 1998 which appear in such Amendment No. 1 to the Registration Statement. We also consent to the references to us under the headings "Experts" in such Amendment No. 1 to the Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 2, 2000 with respect to the consolidated financial statements of Falcon Communications, L.P., included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1.943 billion of Senior Notes.

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1.943 billion of Senior Notes and to the use of our report dated March 2, 2000 with respect to the combined financial statements of CC VII Holdings, LLC -- Falcon Systems, not separately included in the Annual Report (Form 10-K) of Charter Communications, Inc. for the year ended December 31, 2000, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Los Angeles, California  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Charter Communications, Inc:

We consent to the inclusion in Amendment No. 1 to the registration statement (No. 333-65094) on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our report on the combined balance sheets of the TCI Falcon Systems (as defined in Note 1 to the combined financial statements) as of September 30, 1998 and December 31, 1997, and the related combined statements of operations and parent's investment, and cash flows for the nine-month period ended September 30, 1998 and for each of the years in the two-year period ended December 31, 1997 included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG LLP

Denver, Colorado  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Charter Communications, Inc.:

We consent to the inclusion in Amendment No. 1 to the registration statement (No. 333-65094) on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation of our reports on the consolidated balance sheets of Bresnan Communications Group LLC and its subsidiaries as of February 14, 2000 and December 31, 1998 and 1999 and the related consolidated statements of operations and members' equity (deficit), and cash flows for the period from January 1, 2000 to February 14, 2000 and for each of the years in the three-year period ended December 31, 1999 included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG LLP

Denver, Colorado  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated January 28, 2000, with respect to the combined financial statements of Fanch Cable Systems Sold to Charter Communications, Inc. (comprised of Components of TWFanch-one Co., Components of TWFanch-two Co., Mark Twain Cablevision, North Texas Cablevision LTD., Post Cablevision of Texas L.P., Spring Green Communications L.P., Fanch Narragansett CSI L.P., Cable Systems Inc., ARH, and Tioga) included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

We also consent to the use of our report dated February 11, 2000, with respect to the consolidated financial statements of Charter Communications VI Operating Company, LLC and subsidiaries not separately included in the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 16, 1998, with respect to the combined financial statements of the Picayune MS, Lafourche LA, St. Tammany LA, St. Landry LA, Pointe Coupee LA and Jackson TN cable television systems included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

New York, New York  
July 30, 2001

## CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated June 4, 1999 (except for Note 11, as to which the date is June 29, 1999), with respect to the consolidated financial statements of Renaissance Media Group LLC included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ ERNST & YOUNG LLP

New York, New York  
July 30, 2001

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated March 9, 1999, with respect to the financial statements of Cable Systems, Inc. and Fanch Narragansett CSI Limited Partnership, the consolidated financial statements of North Texas Cablevision, Ltd. and our report dated March 10, 1999 for the financial statements of Spring Green Communications, L.P. included in Amendment No. 1 to the Registration Statement on Form S-4 and related Prospectus of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation for the registration of \$1,943,000,000 Senior Notes and Senior Discount Notes.

/s/ Shields & Co.

Englewood, Colorado  
July 30, 2001