AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 1, 1999

REGISTRATION NO. 333-83887

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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AMENDMENT NO. 4 TO

# FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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CHARTER COMMUNICATIONS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| DELAWARE | 4841 | 43-1857213 |
|---|---|---|
| (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) | (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER) | (FEDERAL EMPLOYER IDENTIFICATION NUMBER) |

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12444 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131
(314) 965-0555
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICE)

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CURTIS S. SHAW, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
CHARTER COMMUNICATIONS, INC.
12444 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131
(314) 965-0555
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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COPIES TO:

| | | |
|---|---|---|
| DANIEL G. BERGSTEIN, ESQ.<br>THOMAS R. POLLOCK, ESQ.<br>PATRICIA M. CARROLL, ESQ.<br>PAUL, HASTINGS,<br>JANOFSKY & WALKER LLP<br>399 PARK AVENUE<br>NEW YORK, NEW YORK 10022<br>(212) 318-6000 | ALVIN G. SEGEL, ESQ.<br>IRELL & MANELLA LLP<br>1800 AVENUE OF THE STARS, SUITE 900<br>LOS ANGELES, CALIFORNIA 90067-4276<br>(310) 277-1010 | RICHARD D. BOHM, ESQ.<br>PETER J. LOUGHRAN, ESQ.<br>DEBEVOISE & PLIMPTON<br>875 THIRD AVENUE<br>NEW YORK, NEW YORK 10022<br>(212) 909-6000 |

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, 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(c) 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. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR

DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT 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 OF 1933 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.

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THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION. DATED NOVEMBER 1, 1999.

[CHARTER COMMUNICATIONS LOGO]

170,000,000 Shares

CHARTER COMMUNICATIONS, INC.

Class A Common Stock

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This is an initial public offering of shares of Class A common stock of Charter Communications, Inc. This prospectus relates to an offering of 144,500,000 shares in the United States and Canada. In addition, 25,500,000 shares are being offered outside the United States and Canada. All of the shares of Class A common stock are being sold by Charter Communications, Inc.

Prior to the offering, there has been no public market for the Class A common stock. It is currently estimated that the initial public offering price per share will be between $17 and $19. We have applied to have the Class A common stock included for quotation on the Nasdaq National Market under the symbol "CHTR".

See "Risk Factors" beginning on page 15 to read about factors you should consider before buying shares of the Class A common stock.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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| | Per Share | Total |
|---|---|---|
| Initial public offering price.............................. | $ | $ |
| Underwriting discount...................................... | $ | $ |
| Proceeds, before expenses, to us........................... | $ | $ |

To the extent that the underwriters sell more than 170,000,000 shares of Class A common stock, the underwriters have the option to purchase up to an additional 25,500,000 shares from Charter Communications, Inc. at the initial public offering price less the underwriting discount.

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The underwriters expect to deliver shares in New York, New York on , 1999.

GOLDMAN, SACHS & CO.     BEAR, STEARNS & CO. INC.     MORGAN STANLEY DEAN WITTER

DONALDSON, LUFKIN & JENRETTE     MERRILL LYNCH & CO.     SALOMON SMITH BARNEY

A.G. EDWARDS & SONS, INC.     M.R. BEAL & COMPANY

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Prospectus dated , 1999.

[INSIDE FRONT COVER]

[Text:]

Cable Television

High Speed Internet Access

Internet TV

Interactive TV

[Map of the United States with locations of cable systems marked with dots]

The map above shows the locations of Charter Communications' cable systems, after giving effect to our pending acquisitions.

[Charter logo]

# PROSPECTUS SUMMARY

The following summary contains a general discussion of our business, the offering of Class A common stock and summary financial information. It likely does not contain all the information that is important to you in making a decision to purchase shares of the Class A common stock. For a more complete understanding of the offering, you should read this entire prospectus and other documents to which we refer. The discussion of our business in this prospectus includes Charter Communications, Inc., Charter Communications Holding Company, LLC and the direct and indirect subsidiaries of Charter Communications Holding Company, unless we indicate otherwise. Unless otherwise stated, the information in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares in the offering.

## OUR BUSINESS

We are a holding company whose principal asset after completion of the offering will be an approximate 31% equity interest and a 100% voting interest in Charter Communications Holding Company. The only business of Charter Communications, Inc. will be to act as the sole manager of Charter Communications Holding Company. Charter Communications Holding Company is also a holding company and is the indirect owner of all of our cable systems. To manage Charter Communications Holding Company and its subsidiaries, Charter Communications, Inc. will initially have only twelve executive officers, all of whom are also employees of Charter Investment, Inc., an affiliated company, and will receive other necessary personnel and services from Charter Investment, Inc.

We are the fourth largest operator of cable television systems in the United States, serving approximately 6.2 million customers, after giving effect to our pending acquisitions. We currently serve approximately 3.7 million customers.

We offer a full range of traditional cable television services and have begun to offer digital cable television services to customers in some of our systems. Digital cable television is cable television service provided through digital technology. Digital technology enables cable operators to increase the channel capacity of cable systems by permitting a significantly increased number of video signals to be transmitted over a cable system's existing bandwidth. Channel capacity is the number of channels that can be simultaneously carried on the cable system and is generally defined in terms of the number of analog channels. Analog channels refer to communication channels on which the information is transmitted in a non-digital format, which means data is transmitted in a manner similar to the original signals. Bandwidth is a measure of the information-carrying capacity of a communication channel. It is the range of usable frequencies that can be carried by a cable system.

We have also started to introduce a number of other new products and services, including interactive video programming, which allows information to flow in both directions, and high-speed Internet access to the World Wide Web. We are also exploring opportunities in telephony, which will integrate telephone services with the Internet through the use of cable. The introduction of these new 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 will enable it to serve as the primary platform for the delivery of new services to the home and workplace. We are accelerating the upgrade of our systems to more quickly provide these new services.

We have grown rapidly over the past five years. During this period, our management team has successfully completed 28 acquisitions, including eight acquisitions closed in 1999. We have also expanded our customer base through significant internal growth. In 1998, our internal customer growth, without giving effect to the cable systems we acquired in that year, was 4.8%, more than twice the national industry average of 1.7%.

Paul G. Allen, through his ownership of Charter Communications, Inc.'s high vote Class B common stock and his indirect ownership of Charter Communications Holding Company membership units, will control approximately 95% of the voting power of all of Charter Communications, Inc.'s capital stock immediately following the offering. As a result, Mr. Allen will control Charter Communications, Inc. and, accordingly, Charter Communications Holding Company and its direct and indirect subsidiaries.

Our principal executive offices are located at 12444 Powerscourt Drive, St. Louis, Missouri 63131. Our telephone number is (314) 965-0555 and our web site is located at www.chartercom.com. The information on our web site is not part of this prospectus.

## 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:

- rapidly integrate acquired cable systems and apply our core operating strategies to raise the financial and operating performance of these acquired systems;

- expand the array of services we offer to our customers through the implementation of our Wired World vision;

- 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. Two-way capability is the ability to have bandwidth available for upstream or two-way communication;

- maximize customer satisfaction by providing reliable, high-quality service offerings, superior customer service and attractive programming choices at reasonable rates;

- employ innovative marketing programs tailored to local customer preferences to generate additional revenues;

- emphasize local management autonomy to better serve our customers while providing support from regional and corporate offices and maintaining centralized financial controls; and

- improve the geographic clustering of our cable systems by selectively trading or acquiring systems to increase operating efficiencies and improve operating margins. Clusters refer to cable systems under common ownership which are located within geographic proximity to each other.

# ORGANIZATION

The chart on the following page sets forth our corporate structure as of the date of the completion of the offering and assumes that:

- Mr. Allen, through Vulcan Cable III Inc., has purchased a total of 43,402,778 membership units from Charter Communications Holding Company for $750 million at a price per membership unit equal to the net initial public offering price per share;

- Mr. Allen has purchased a total of 50,000 shares of high vote Class B common stock of Charter Communications, Inc. at a price per share equal to the initial public offering price per share;

- all of our pending acquisitions have been completed;

- specified sellers in our pending Falcon and Bresnan acquisitions have received $425 million and $1.0 billion, respectively, of their purchase price in Charter Communications Holding Company membership units rather than in cash and these membership units have not been exchanged for shares of Class A common stock of Charter Communications, Inc. For the unaudited pro forma financial statements, however, these amounts are reflected as short-term debt;

- the preferred membership units of Charter Communications Holding Company issued to a number of the sellers in our recent Rifkin acquisition remain outstanding, have not been exchanged for shares of Class A common stock of Charter Communications, Inc. and have not been reflected as equity;

- none of the options to purchase membership units that have been granted under the Charter Communications Holding Company option plan or granted to our chief executive officer have been exercised; and

- the initial public offering price per share is $18.00, which is the mid-point of the range appearing on the cover page of this prospectus.

## ORGANIZATIONAL STRUCTURE

[CHARTER COMMUNICATIONS HOLDING COMPANY FLOW CHART]

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

# RECENT EVENTS

## RECENT ACQUISITIONS

In the second, third and fourth quarters of 1999, we completed eight acquisitions of cable systems. One of these acquisitions included the exchange of certain of our cable systems and a commitment to transfer an additional cable system. The combined fair market value of these systems is $0.4 billion. For the year ended December 31, 1998, the systems we acquired had revenues of approximately $527.7 million. The following table is a breakdown of our recent acquisitions:

| RECENT ACQUISITIONS | ACQUISITION CLOSING DATE | PURCHASE PRICE (INCLUDING ASSUMED DEBT) (IN MILLIONS) | AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1999 CUSTOMERS | REVENUE (IN THOUSANDS) |
|---|---|---|---|---|
| Renaissance Media Group LLC | 4/99 | $ 459 | 129,000 | $ 30,807 |
| American Cable Entertainment, LLC | 5/99 | 240 | 69,000 | 17,958 |
| Cable systems of Greater Media Cablevision, Inc. | 6/99 | 500 | 175,000 | 42,348 |
| Helicon Partners I, L.P. and affiliates | 7/99 | 550 | 173,000 | 42,956 |
| Vista Broadband Communications, L.L.C. | 7/99 | 126 | 28,000 | 7,101 |
| Cable system of Cable Satellite of South Miami, Inc. | 8/99 | 22 | 9,000 | 2,056 |
| Rifkin Acquisition Partners, L.L.L.P. and InterLink Communications Partners, LLLP | 9/99 | 1,460 | 461,000 | 105,592 |
| Cable systems of InterMedia Capital Partners IV, L.P., InterMedia Partners | | 904+ system swap | 412,000 (144,000)(a) | |
| and affiliates | 10/99 | | 268,000 | 100,644 |
| Total | | $4,261 | 1,312,000 | $349,462 |

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(a) Represents the number of customers served by cable systems that we agreed to transfer to InterMedia in connection with the InterMedia acquisition. This number includes 30,000 customers served by an Indiana cable system that we did not transfer at the time of the InterMedia closing because some of the necessary regulatory approvals were still pending. We are obligated to transfer this system to InterMedia upon receipt of regulatory approvals. See "Business -- Acquisitions".

## PENDING ACQUISITIONS

In addition to the recent acquisitions described above, since the beginning of 1999, we have entered into agreements to acquire additional cable systems. For the year ended

December 31, 1998, these systems had revenues of approximately $728.8 million. The following table is a breakdown of our pending acquisitions:

| PENDING ACQUISITIONS | ANTICIPATED ACQUISITION CLOSING DATE | PURCHASE PRICE (INCLUDING ASSUMED DEBT) (IN MILLIONS) | AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1999 | |
|---|---|---|---|---|
| | | | CUSTOMERS | REVENUES (IN THOUSANDS) |
| Avalon Cable LLC.................. | 4th Quarter 1999 | $ 845 | 260,000 | $ 51,769 |
| Cable systems of Fanch Cablevision L.P. and affiliates............. | 4th Quarter 1999 | 2,400 | 537,000 | 98,931 |
| Falcon Communications, L.P. ....... | 4th Quarter 1999 | 3,550 | 1,008,000 | 212,205 |
| Bresnan Communications Company Limited Partnership............. | 1st Quarter 2000 | 3,100 | 656,000 | 137,291 |
| Total......................... | | $9,895 | 2,461,000 | $500,196 |

We expect to finance these pending acquisitions with the proceeds of this offering, Mr. Allen's equity contribution through Vulcan Cable III Inc. to Charter Communications Holding Company, borrowings under credit facilities and equity issued to specified sellers in our pending Falcon and Bresnan acquisitions. These available and committed sources of funds will not be sufficient to consummate our pending acquisitions and fund related obligations. In connection with our acquisitions, we may need to raise additional amounts up to a total of approximately $4.36 billion.

We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company, to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facility borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion in Bresnan notes that we expect to be put to us in connection with required change of control offers for these notes.

In addition, we will have to raise approximately $2.64 billion of additional financing if we are required to pay:

- approximately $0.71 billion to repurchase outstanding notes of Falcon if committed bridge loan financing does not close;

- approximately $0.27 billion to repurchase outstanding notes of Avalon;

- approximately $1.57 billion to repurchase equity interests issued or to be issued to specified sellers in connection with a number of our acquisitions; and

- approximately $0.09 billion to InterMedia if we do not obtain timely regulatory approvals for our transfer to InterMedia of an Indiana cable system and we are unable to transfer replacement systems.

We cannot assure you that we will be able to raise the financing necessary to consummate our pending acquisitions and to satisfy the obligations described above. If we are unable to raise the financing necessary to satisfy any or all of these obligations, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. In any such case, the relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our obligations, including our credit facilities and debt instruments.

MERGER WITH MARCUS HOLDINGS

On April 23, 1998, Mr. Allen acquired approximately 99% of the non-voting economic interests in Marcus Cable Company, L.L.C., and agreed to acquire the remaining interests in Marcus Cable. The aggregate purchase price was approximately $1.4 billion, excluding $1.8 billion in assumed debt. On February 22, 1999, Marcus Holdings was formed, and all of Mr. Allen's interests in Marcus Cable were transferred to Marcus Holdings on March 15, 1999. On March 31, 1999, Mr. Allen completed the acquisition of all remaining interests of Marcus Cable. On April 7, 1999, Mr. Allen merged Marcus Holdings into Charter Communications Holdings, L.L.C. Charter Holdings survived the merger. The operating subsidiaries of Marcus Holdings became subsidiaries of Charter Operating.

# THE OFFERING

| | |
|---|---|
| Total Class A common stock offered: | |
| U.S. offering | 144,500,000 |
| International offering | 25,500,000 |
| Total | 170,000,000 |
| Shares of common stock to be outstanding after the offering: | |
| Class A common stock | 170,000,000 |
| Class B common stock | 50,000 |

If the underwriters exercise their over-allotment option in full, the total number of shares of Class A common stock offered and the total number of shares of Class A common stock outstanding after the offering will be 195,500,000.

In this prospectus, in calculating the number of shares of each class of Charter Communications, Inc. common stock and the membership units in Charter Communications Holding Company that will be outstanding after the offering and ownership and voting percentages, we have made the same assumptions described on page 4 with respect to our organizational chart, unless we otherwise indicate.

After the offering and excluding 52,797,679 membership units to be issued in connection with the Falcon and Bresnan acquisitions, there will be 324,905,052 outstanding Charter Communications Holding Company common membership units owned by persons or entities other than Charter Communications, Inc. Membership units are exchangeable for shares of Class A common stock on a one-for-one basis, except that Mr. Allen and his affiliates may exchange membership units for shares of Class B common stock on a one-for-one basis. Class B common stock is convertible into shares of Class A common stock at any time on a one-for-one basis. If Mr. Allen and his affiliates converted and exchanged all Class B common stock and membership units held by them for Class A common stock, they together would own approximately 65.7% of our Class A common stock or 62.4% if the underwriters exercise their over-allotment option in full.

| | |
|---|---|
| Use of Proceeds.............. | By Charter Communications, Inc.: To acquire 170,000,000 common membership units in Charter Communications Holding Company at a price per membership unit equal to the net initial public offering price per share of Class A common stock. |
| | By Charter Communications Holding Company: To partially fund, together with the proceeds from the $750 million equity contribution from Vulcan Cable III Inc., a number of our pending acquisitions. See "Use of Proceeds". |
| Voting Rights................ | Each holder of Class A common stock is entitled to one vote per share. |
| | Each holder of Class B common stock is entitled to a number of votes determined by a formula based on the number of outstanding shares of Class B common stock and outstanding membership units exchangeable for Class B common stock. The result of this formula is that Mr. Allen is entitled to ten votes for each share of Class B common stock and each membership unit held by him or his affiliates. |
| | Mr. Allen will control approximately 95% of the voting power of all of Charter Communications, Inc.'s capital stock following the offering or 94.3% if the underwriters exercise their over-allotment option in full. |
| Control by Paul G. Allen...... | Mr. Allen will own all of the outstanding shares of Charter Communications, Inc.'s Class B common stock following the offering. By virtue of Mr. Allen's ownership of all of Charter Communications, Inc.'s Class B common stock and the ownership by Mr. Allen's affiliates of Charter Communications Holding Company membership units, Mr. Allen will be able to control the corporate actions of Charter Communications, Inc., such as electing its board of directors, amending its certificate of incorporation and controlling all fundamental corporate decisions. |
| Proposed Nasdaq National Market Symbol............. | "CHTR". |

# 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 purchasing the Class A common stock offered in this prospectus.

## UNAUDITED SUMMARY PRO FORMA FINANCIAL DATA

You should read the following unaudited summary pro forma financial data of Charter Communications, Inc. 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 SUMMARY PRO FORMA STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 1999

| | CHARTER COMMUNICATIONS HOLDING COMPANY | RECENT ACQUISITIONS | SUBTOTAL | PENDING ACQUISITIONS | REFINANCING ADJUSTMENTS | OFFERING ADJUSTMENTS | TOTAL |
|---|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | | |
| Revenues | $ 594,173 | $ 315,541 | $ 909,714 | $ 522,334 | $ -- | $ -- | $ 1,432,048 |
| Operating expenses: | | | | | | | |
| Operating, general and administrative | 310,325 | 160,519 | 470,844 | 267,170 | -- | -- | 738,014 |
| Depreciation and amortization | 313,621 | 161,876 | 475,497 | 361,952 | -- | -- | 837,449 |
| Stock option compensation expense | 38,194 | -- | 38,194 | -- | | | 38,194 |
| Corporate expense charges(a) | 11,073 | 20,059 | 31,132 | 16,595 | -- | -- | 47,727 |
| Management fees | -- | 5,572 | 5,572 | 3,168 | -- | -- | 8,740 |
| Total operating expenses | 673,213 | 348,026 | 1,021,239 | 648,885 | -- | -- | 1,670,124 |
| Loss from operations | (79,040) | (32,485) | (111,525) | (126,551) | -- | -- | (238,076) |
| Interest expense | (183,869) | (114,588) | (298,457) | (255,682) | 4,300 | -- | (549,839) |
| Interest income | 10,189 | 456 | 10,645 | 788 | -- | -- | 11,433 |
| Other income (expense) | 2,682 | (905) | 1,777 | (15) | -- | -- | 1,762 |
| Loss before minority interest | (250,038) | (147,522) | (397,560) | (381,460) | 4,300 | -- | (774,720) |
| Minority interest | -- | -- | -- | -- | -- | 508,552 | 508,552 |
| Loss before extraordinary item | $ (250,038) | $ (147,522) | $ (397,560) | $ (381,460) | $ 4,300 | $ 508,552 | $ (266,168) |
| Basic loss per share(b) | | | | | | | $ (1.57) |
| Diluted loss per share(b) | | | | | | | $ (1.57) |
| Weighted average shares outstanding: | | | | | | | |
| Basic | | | | | | | 170,050,000 |
| Diluted | | | | | | | 170,050,000 |
| OTHER FINANCIAL DATA: | | | | | | | |
| EBITDA(c) | $ 237,263 | $ 128,486 | $ 365,749 | $ 235,386 | | | $ 601,135 |
| EBITDA margin(d) | 39.9% | 40.7% | 40.2% | 45.1% | | | 42.0% |
| Adjusted EBITDA(e) | $ 283,848 | $ 155,022 | $ 438,870 | $ 255,164 | | | $ 694,034 |
| Cash flows from operating activities | 172,770 | 89,238 | 262,008 | 189,042 | | | 451,050 |
| Cash flows used in investing activities | (271,191) | (111,785) | (382,976) | (67,411) | | | (450,387) |
| Cash flows from financing activities | 207,131 | 188,571 | 395,702 | 455,277 | | | 850,979 |
| Cash interest expense | | | | | | | 401,319 |
| Capital expenditures | 262,507 | 101,127 | 363,634 | 116,268 | | | 479,902 |
| BALANCE SHEET DATA (AT END OF PERIOD): | | | | | | | |
| Total assets | $8,687,474 | $3,231,280 | $11,918,754 | $9,994,753 | $ -- | $ -- | $21,913,507 |
| Total debt | 5,134,310 | 3,149,852 | 8,284,162 | 4,792,195 | -- | -- | 13,076,357 |
| Minority interest | -- | -- | -- | -- | -- | 5,368,064 | 5,368,064 |
| Members' equity | 3,204,122 | -- | 3,204,122 | 2,075,000 | -- | (5,279,122) | -- |
| Stockholders' equity | -- | -- | -- | -- | -- | 2,809,558 | 2,809,558 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | | | | | |
| Homes passed(f) | 4,509,000 | 1,446,000 | 5,955,000 | 3,793,000 | | | 9,748,000 |
| Basic customers(g) | 2,734,000 | 969,000 | 3,703,000 | 2,463,000 | | | 6,166,000 |
| Basic penetration(h) | 60.6% | 67.0% | 62.2% | 64.9% | | | 63.3% |
| Premium units(i) | 1,676,000 | 543,000 | 2,219,000 | 856,000 | | | 3,075,000 |
| Premium penetration(j) | 61.3% | 56.0% | 59.9% | 34.8% | | | 49.9% |
| Average monthly revenue per basic customer(k) | | | | | | | $ 38.71 |

UNAUDITED SUMMARY PRO FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

| | CHARTER COMMUNICATIONS HOLDING COMPANY | MARCUS | RECENT ACQUISITIONS | SUBTOTAL |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| Revenues | $ 601,953 | $ 457,929 | $ 608,953 | $ 1,668,835 |
| Operating expenses: | | | | |
| Operating, general and administrative | 304,555 | 236,595 | 307,447 | 848,597 |
| Depreciation and amortization | 370,406 | 258,348 | 335,799 | 964,553 |
| Stock option compensation expense | 845 | -- | -- | 845 |
| Corporate expense charges(a) | 16,493 | 17,042 | 10,991 | 44,526 |
| Management fees | -- | -- | 14,668 | 14,668 |
| Total operating expenses | 692,299 | 511,985 | 668,905 | 1,873,189 |
| Loss from operations | (90,346) | (54,056) | (59,952) | (204,354) |
| Interest expense | (204,770) | (140,651) | (271,450) | (616,871) |
| Other income (expense) | 518 | -- | (5,825) | (5,307) |
| Loss before minority interest | (294,598) | (194,707) | (337,227) | (826,532) |
| Minority interest | -- | -- | -- | -- |
| Loss before extraordinary item | $ (294,598) | $ (194,707) | $ (337,227) | $ (826,532) |
| Basic loss per share(b) | | | | |
| Diluted loss per share(b) | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | | | | |
| Diluted | | | | |
| OTHER FINANCIAL DATA: | | | | |
| EBITDA(c) | $ 280,578 | $ 204,292 | $ 270,022 | $ 754,892 |
| EBITDA margin(d) | 46.6% | 44.6% | 44.3% | 45.2% |
| Adjusted EBITDA(e) | $ 297,398 | $ 221,334 | $ 301,506 | $ 820,238 |
| Cash flows from operating activities | 141,602 | 135,466 | 194,041 | 471,109 |
| Cash flows used in investing activities | (206,607) | (217,729) | (233,161) | (657,497) |
| Cash flows from financing activities | 210,306 | 109,924 | 23,252 | 343,482 |
| Cash interest expense | | | | |
| Capital expenditures | 213,353 | 224,723 | 96,025 | 534,101 |
| BALANCE SHEET DATA (AT END OF PERIOD): | | | | |
| Total assets | $4,335,527 | $2,900,129 | $4,375,267 | $11,610,923 |
| Total debt | 2,002,206 | 1,520,995 | 4,257,342 | 7,780,543 |
| Minority interest | -- | -- | -- | -- |
| Members' equity | 2,147,379 | 1,281,912 | -- | 3,429,291 |
| Stockholders' equity | -- | -- | -- | -- |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | | |
| Homes passed(f) | 2,149,000 | 1,743,000 | 1,922,000 | 5,814,000 |
| Basic customers(g) | 1,255,000 | 1,061,000 | 1,325,000 | 3,641,000 |
| Basic penetration(h) | 58.4% | 60.9% | 68.9% | 62.6% |
| Premium units(i) | 845,000 | 411,000 | 777,000 | 2,033,000 |
| Premium penetration(j) | 67.3% | 38.7% | 58.6% | 55.8% |
| Average monthly revenue per basic customer(k) | | | | |

UNAUDITED SUMMARY PRO FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

| | PENDING ACQUISITIONS | REFINANCING ADJUSTMENTS | OFFERING ADJUSTMENTS | TOTAL |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| Revenues | $ 1,022,669 | $ -- | $ -- | $ 2,691,504 |
| Operating expenses: | | | | |
| Operating, general and administrative | 511,118 | -- | -- | 1,359,715 |
| Depreciation and amortization | 743,845 | -- | -- | 1,708,398 |
| Stock option compensation expense | -- | -- | -- | 845 |
| Corporate expense charges(a) | 37,090 | -- | -- | 81,616 |
| Management fees | 6,135 | -- | -- | 20,803 |
| Total operating expenses | 1,298,188 | -- | -- | 3,171,377 |
| Loss from operations | (275,519) | -- | -- | (479,873) |
| Interest expense | (457,586) | 7,000 | -- | (1,067,457) |
| Other income (expense) | (5,637) | -- | -- | (10,944) |
| Loss before minority interest | (738,742) | 7,000 | -- | (1,558,274) |
| Minority interest | -- | -- | 1,022,903 | 1,022,903 |
| Loss before extraordinary item | $ (738,742) | $ 7,000 | $1,022,903 | $ (535,371) |

| | | | | |
|---|---|---|---|---|
| Basic loss per share(b)................ | | | | $(3.15) |
| Diluted loss per share(b).............. | | | | $(3.15) |
| Weighted average shares outstanding: | | | | |
| Basic.................................. | | | | 170,050,000 |
| Diluted................................ | | | | 170,050,000 |
| OTHER FINANCIAL DATA: | | | | |
| EBITDA(c).............................. | $ 462,689 | | | $ 1,217,581 |
| EBITDA margin(d)....................... | 45.2% | | | 45.2% |
| Adjusted EBITDA(e)..................... | $ 511,551 | | | $ 1,331,789 |
| Cash flows from operating activities.... | 254,086 | | | 725,195 |
| Cash flows used in investing activities............................ | (274,405) | | | (931,902) |
| Cash flows from financing activities.... | 115,779 | | | 459,261 |
| Cash interest expense.................. | | | | 772,124 |
| Capital expenditures................... | 219,045 | | | 753,146 |
| BALANCE SHEET DATA (AT END OF PERIOD): | | | | |
| Total assets........................... | $10,091,809 | $125,000 | $ -- | $21,827,732 |
| Total debt............................. | 4,954,764 | 128,604 | -- | 12,863,911 |
| Minority interest...................... | -- | -- | 5,513,507 | 5,513,507 |
| Members' equity........................ | 2,075,000 | (3,604) | (5,500,687) | -- |
| Stockholders' equity................... | -- | -- | 2,885,680 | 2,885,680 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | | |
| Homes passed(f)........................ | 3,787,000 | | | 9,601,000 |
| Basic customers(g)..................... | 2,453,000 | | | 6,094,000 |
| Basic penetration(h)................... | 64.8% | | | 63.5% |
| Premium units(i)....................... | 862,000 | | | 2,895,000 |
| Premium penetration(j)................. | 35.1% | | | 47.5% |
| Average monthly revenue per basic customer(k)........................... | | | | $ 36.81 |

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(a) Charter Investment, Inc. provided corporate management and consulting services to subsidiaries of Charter Operating during 1998 and 1999 and to subsidiaries of Marcus Holdings beginning in October 1998. See "Certain Relationships and Related Transactions".

(b) Basic loss per share assumes none of the membership units of Charter Communications Holding Company are exchanged for Charter Communications, Inc. common stock and none of the outstanding options to purchase membership units of Charter Communications Holding Company that are automatically exchanged for Charter Communications, Inc. common stock are exercised. Basic loss per share equals loss applicable to equity holders divided by weighted average shares outstanding. If the membership units were exchanged or options exercised, the effects would be antidilutive.

(c) EBITDA represents earnings (loss) before interest, income taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator of a cable television 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.

(d) EBITDA margin represents EBITDA as a percentage of revenues.

(e) Adjusted EBITDA means EBITDA before stock option compensation expense, corporate expenses, management fees and other income (expense). 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.

(f) 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.

(g) Basic customers are customers who receive basic cable service.

(h) Basic penetration represents basic customers as a percentage of homes passed.

(i) Premium units represent the total number of subscriptions to premium channels.

(j) Premium penetration represents premium units as a percentage of basic customers.

(k) 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 period end.

## RISK FACTORS

An investment in our Class A common stock entails the following risks. You should carefully consider these risk factors, as well as the other information in this prospectus.

## OUR STRUCTURE

MR. ALLEN HAS THE ABILITY TO CONTROL MATTERS ON WHICH ALL OF CHARTER COMMUNICATIONS, INC.'S STOCKHOLDERS MAY VOTE AND HAS THE EXCLUSIVE RIGHT TO VOTE ON SPECIFIC MATTERS.

Following the offering, Mr. Allen will control approximately 95% of the voting power of Charter Communications, Inc.'s capital stock. Accordingly, Mr. Allen will control Charter Communications, Inc. which, in turn, will control Charter Communications Holding Company. As Class A common stockholders, you will have only a very limited voting interest in Charter Communications, Inc. and a limited indirect equity interest in Charter Communications Holding Company, although Class A common stockholders will have an equity interest in Charter Communications, Inc. of more than 99.9%. The purposes of our structure are, among other things, to enable Mr. Allen to take advantage for tax purposes of the losses expected to be generated by Charter Communications Holding Company and to enable him to maintain control of our business.

Mr. Allen will have the ability to control fundamental corporate transactions requiring equity holder approval, including, but not limited to, the election of all of our directors, approval of merger transactions involving us and the sale of all or substantially all of our assets. Mr. Allen's control may continue in the future through the high vote Class B common stock even if Mr. Allen owns a minority economic interest in our business.

As the owner of all of the Class B common stock, Mr. Allen will be entitled to elect all but one member of Charter Communications, Inc.'s board of directors. Because of the exclusive voting rights granted to holders of Class B common stock for specific matters, he will have the sole power to amend a number of important provisions of Charter Communications, Inc.'s certificate of incorporation, including provisions restricting the scope of our business activities. See "Description of Capital Stock and Membership Units".

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

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 Class A common stock. Further, through his effective control, 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 an 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 television 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 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 will provide that, until all of the shares of Class B common stock have converted into shares of Class A common stock, Charter Communications, Inc. and Charter Communications Holding Company, including their subsidiaries, cannot engage in any business activity outside the cable transmission business except for the joint venture with Broadband Partners, LLC and incidental businesses engaged in as of the closing of the offering. 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".

MR. ALLEN'S CONTROL AND CHARTER COMMUNICATIONS, INC.'S ORGANIZATIONAL DOCUMENTS MAY INHIBIT OR PREVENT A TAKEOVER OR A CHANGE IN MANAGEMENT THAT COULD RESULT IN A CHANGE OF CONTROL PREMIUM OR FAVORABLY IMPACT THE MARKET PRICE OF THE CLASS A COMMON STOCK.

As a result of his controlling voting interest, Mr. Allen will have the ability to delay or prevent a change of control or changes in our management that our other stockholders, including the holders of our Class A common stock, may consider favorable or beneficial. Provisions in our organizational documents may also have the effect of delaying or preventing these changes, including provisions:

- authorizing the issuance of "blank check" preferred stock;

- restricting the calling of special meetings of stockholders; and

- requiring advanced notice for proposals for stockholder meetings.

If a change of control or change in management is delayed or prevented, the market price of our Class A common stock could suffer or holders may not receive a change of control premium over the then-current market price of the Class A common stock.

CHARTER COMMUNICATIONS, INC. IS A HOLDING COMPANY WHICH HAS NO OPERATIONS AND WILL DEPEND ON ITS OPERATING SUBSIDIARIES FOR CASH. OUR SUBSIDIARIES MAY BE LIMITED IN THEIR ABILITY TO MAKE FUNDS AVAILABLE FOR THE PAYMENT OF OUR DEBT AND OTHER OBLIGATIONS.

As holding companies, Charter Communications, Inc. and Charter Communications Holding Company will depend entirely on cash from our operating subsidiaries to satisfy their obligations. These operating subsidiaries may not be able to make funds available to Charter Communications, Inc. and Charter Communications Holding Company.

Charter Communications, Inc. is a holding company whose principal asset after the closing of the offering will be an approximate 31% equity interest and a 100% voting interest in Charter Communications Holding Company. Charter Communications Holding Company is also a holding company whose operations are conducted through its direct and indirect subsidiaries. Neither of them will hold any significant assets other than their direct and indirect interests in our subsidiaries which conduct all of our operations. Charter Communications, Inc.'s and Charter Communications Holding Company's cash flow will depend upon the cash flow of Charter Communications Holding Company's operating subsidiaries and the payment of funds by these operating subsidiaries to Charter Communications Holding Company and Charter Communications, Inc. This will affect the ability of Charter Communications, Inc and Charter Communications Holding Company to meet their obligations, including:

- debt or preferred equity obligations that we may issue in the future;

- obligations under employment and consulting agreements;

- obligations under the mutual services agreement with Charter Investment, Inc. under which Charter Investment, Inc. provides Charter Communications, Inc. with personnel and services; and

- dividends or other distributions to holders of Class A common stock.

Our operating subsidiaries are not obligated to make funds available for payment of these 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 Charter Communications Holding Company or to Charter Communications, Inc. will depend on their earnings, business and tax considerations and legal restrictions. Covenants in the indentures and credit agreements governing the indebtedness of Charter Communications Holding Company's operating subsidiaries restrict their ability to make loans, distributions or other payments to Charter Communications Holding Company or to us.

WE COULD BE DEEMED AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT OF 1940. THIS WOULD IMPOSE SIGNIFICANT RESTRICTIONS ON US AND WOULD BE LIKELY TO HAVE A MATERIAL ADVERSE IMPACT ON OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATION.

If anything were to happen which would cause us to be deemed an investment company, the Investment Company Act would impose significant restrictions on us, including severe limitations on our ability to borrow money, to issue additional capital stock and to transact business with affiliates. In addition, because our operations are very different from those of the typical registered investment company, regulation under the Investment Company Act could affect us in other ways that are extremely difficult to predict. In sum, if we were deemed to be an investment company it could become impractical for us to continue our business as currently conducted and our growth, our financial condition and our results of operations could suffer materially.

Following the offering, our principal asset will be our equity interest in Charter Communications Holding Company. If our membership interest in Charter Communications Holding Company were to constitute less than 50% of the voting securities issued by Charter Communications Holding Company, then our interest in Charter Communications Holding Company could be deemed an "investment security" for purposes of the Investment Company Act. This may occur, for example, if a court determines that the Class B common stock is no longer entitled to special voting rights and, in accordance with the terms of the Charter Communications Holding Company limited liability company agreement, our membership units in this company were to lose their special voting privileges. A determination that such investment was an investment security could cause us to be deemed to be an investment company under the Investment Company Act, unless an exclusion from registration were available or we were to obtain an order of the Securities and Exchange Commission excluding or exempting us from registration under this Act.

IF A COURT DETERMINES THAT THE CLASS B COMMON STOCK IS NO LONGER ENTITLED TO SPECIAL VOTING RIGHTS, CHARTER COMMUNICATIONS, INC. WOULD LOSE ITS RIGHTS TO MANAGE CHARTER COMMUNICATIONS HOLDING COMPANY. IN ADDITION TO THE INVESTMENT COMPANY RISKS DISCUSSED ABOVE, THIS COULD MATERIALLY IMPACT THE VALUE OF YOUR INVESTMENT IN THE CLASS A COMMON STOCK.

If a court determines that the Class B common stock is no longer entitled to special voting rights, Charter Communications, Inc. would no longer have a controlling voting interest in, and would lose its right to manage, Charter Communications Holding Company. If this were to occur:

- Charter Communications, Inc. would retain its proportional equity interest in Charter Communications Holding Company but would lose all of its powers to direct the management and affairs of Charter Communications Holding Company and its subsidiaries;

- Class A common stockholders would lose any right they had at that time or might have had in the future to direct, through equity ownership in Charter Communications, Inc., the management and affairs of Charter Communications Holding Company; and

- Charter Communications, Inc. would become strictly a passive investment vehicle.

This result, as well as the impact of being treated by investors as an investment company, could materially adversely impact:

- the liquidity of the Class A common stock;

- how it trades in the marketplace;

- the price that purchasers would be willing to pay for the Class A common stock in a change of control transaction or otherwise; and

- the market price of the Class A common stock which could experience a significant decline as a result.

Uncertainties that may arise with respect to the nature of Charter Communications, Inc.'s management role and voting power and organizational documents, including legal actions or proceedings relating thereto, may also materially adversely impact the value of the Class A common stock.

WE ARE DEPENDENT ON CHARTER INVESTMENT, INC. FOR NECESSARY PERSONNEL AND SERVICES.

Charter Communications, Inc. will initially have only twelve executive officers, all of whom are also employees of Charter Investment, Inc. It will receive from Charter Investment, Inc. other personnel and services necessary to perform its obligations as Charter Communications Holding Company's sole manager, pursuant to a mutual services agreement. As Charter Communications, Inc. is restricted from holding any significant assets other than Charter Communications Holding Company membership units, Charter Communications, Inc. will be substantially dependent upon Charter Investment, Inc. for personnel and support services. The termination or breach by Charter Investment, Inc. of the mutual services agreement could adversely affect our ability to manage Charter Communications Holding Company and, in turn, our cable systems.

THE SPECIAL TAX ALLOCATION PROVISIONS OF THE CHARTER COMMUNICATIONS HOLDING COMPANY LIMITED LIABILITY COMPANY AGREEMENT MAY CAUSE CHARTER COMMUNICATIONS, INC. IN SOME CIRCUMSTANCES TO PAY MORE TAXES THAN IF THE SPECIAL TAX ALLOCATION PROVISIONS WERE NOT IN EFFECT.

Charter Communications Holding Company's limited liability company agreement provides that through the end of 2003, tax losses of Charter Communications Holding Company that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units of Charter Communications Holding Company will instead be allocated to the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. The purpose of these special tax allocation provisions is to allow Mr. Allen to take advantage for tax purposes of the losses expected to be generated by Charter Communications Holding Company. The limited liability company agreement further provides that beginning at the time that Charter Communications Holding Company first becomes profitable (as determined under the applicable federal income tax rules for determining book profits), tax profits that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units of Charter Communications Holding Company will instead be allocated to membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. In some situations, the special tax allocation provisions could result in Charter Communications, Inc. having to pay taxes in an amount that is more than if Charter Communications Holding Company had allocated losses and profits to Charter Communications, Inc. based generally on its percentage of outstanding membership units from the time of the completion of the offering. See "Description of Capital Stock and Membership Units -- Special Allocation of Losses".

## OUR ACQUISITIONS

WE MAY BE UNABLE TO OBTAIN CAPITAL SUFFICIENT TO CONSUMMATE OUR PENDING ACQUISITIONS AND FUND RELATED OBLIGATIONS. IF THIS OCCURRED, WE COULD BE IN DEFAULT UNDER OUR ACQUISITION AGREEMENTS AND DEBT OBLIGATIONS WHICH COULD LEAD TO LEGAL PROCEEDINGS BEING INITIATED AGAINST US. THIS IN TURN COULD LEAD TO DEFAULTS UNDER OUR OTHER OBLIGATIONS.

Available and committed sources of funds will not be sufficient to consummate our pending acquisitions. In connection with our acquisitions, we may need to raise a total of $4.36 billion.

We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facility borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion in Bresnan notes that we expect to be put to us in connection with required change of control offers for these notes.

In addition, we will have to raise approximately $2.64 billion of additional financing if we are required to pay:

- approximately $0.71 billion to repurchase outstanding notes of Falcon if committed bridge loan financing does not close;

- approximately $0.27 billion to repurchase outstanding notes of Avalon;

- approximately $1.57 billion to repurchase equity interests issued or to be issued to specified sellers in connection with a number of our acquisitions; and

- approximately $0.09 billion to InterMedia if we do not obtain regulatory approvals to transfer an Indiana cable system that we are required to transfer to InterMedia and we are unable to transfer replacement systems.

We cannot assure you that we will be able to raise the financing necessary to consummate our pending acquisitions and to satisfy the obligations described above. If we are unable to raise the financing necessary to satisfy any or all of these obligations, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. The relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and the following five risk factors for more information on our potential funding shortfall.

THE PROSPECTIVE LENDERS' COMMITMENTS TO LEND TO US UNDER THE FALCON BRIDGE LOAN FACILITY AND THE FANCH AND AVALON CREDIT FACILITIES ARE SUBJECT TO A NUMBER OF CONDITIONS. IF THESE CONDITIONS ARE NOT MET, THESE SOURCES OF FUNDS WILL NOT BE AVAILABLE TO US. AS A RESULT, WE MAY BE UNABLE TO CONSUMMATE THESE PENDING ACQUISITIONS OR FUND REQUIRED DEBT REPURCHASES WHICH COULD TRIGGER DEFAULTS UNDER OUR ACQUISITION AGREEMENTS AND OUR DEBT OBLIGATIONS. THE RELEVANT SELLERS OR CREDITORS COULD INITIATE LEGAL PROCEEDINGS AGAINST US.

The Falcon bridge loan facility and the Fanch and Avalon credit facilities, for which we have received commitments, will not close unless specified closing conditions are satisfied. Some of these closing conditions are not under our control, and we cannot assure you that all closing conditions will be satisfied. For example, the closing conditions for the Falcon bridge loan facility include:

- the absence of various types of material adverse changes, including material adverse changes in the financial and capital markets; and

- receipt of required approvals from third parties.

See "Description of Certain Indebtedness" for a description of the material closing conditions for each of these facilities.

If we are not able to obtain financing under these facilities, we will need to arrange other sources of financing to meet our obligations, including our obligations to consummate our pending acquisitions. We would need to raise approximately $1.8 billion to replace these facilities, and we cannot assure you that alternate financing sources will be available to us. We may as a result be unable to consummate our pending Fanch and Avalon acquisitions and may be in default under the related acquisition agreements. If we do not obtain funding under the Falcon bridge loan facility, we may be in default under the Falcon debentures and notes that we may be required to repurchase. The relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

WE MAY BE UNABLE TO OBTAIN SUFFICIENT CAPITAL TO REPURCHASE THE EXISTING PUBLIC DEBT OF THE CABLE OPERATORS THAT WE ARE ACQUIRING. WE MAY AS A RESULT BE IN DEFAULT ON THIS DEBT WHICH COULD LEAD TO LEGAL PROCEEDINGS BEING INITIATED AGAINST US. THIS COULD IN TURN LEAD TO DEFAULTS UNDER OUR OTHER OBLIGATIONS.

Following the closings of the Falcon, Avalon and Bresnan acquisitions, we will be required to make offers to repurchase public notes issued by Falcon, Avalon and Bresnan under the terms of the indentures governing these notes. Because the trading prices of the Falcon and Bresnan notes have increased considerably since the announcement of the respective acquisitions and these notes are currently trading near the change of control price that we would have to pay, we believe that it is likely that holders of all or substantially all of the Falcon and Bresnan notes will tender these notes in response to the change of control offers that we will have to make. As a result, we assume that we will be required to repurchase the public Falcon and Bresnan notes. The total principal amount and accreted value of these notes as of June 30, 1999 was $1.05 billion. In addition, we may also be required to repurchase the public Avalon notes. The total principal amount and accreted value of the Avalon notes as of June 30, 1999 was $268 million. We cannot assure you that we will be able to obtain capital sufficient to fulfill all of these repurchase obligations. If we fail to satisfy these repurchase obligations, the holders of these notes could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. This could trigger defaults under our other obligations, including our credit facilities and debt instruments.

WE MAY BE UNABLE TO OBTAIN SUFFICIENT CAPITAL TO REPAY DEBT OUTSTANDING UNDER THE BRESNAN CREDIT FACILITIES. WE MAY AS A RESULT BE IN DEFAULT UNDER OUR BRESNAN ACQUISITION AGREEMENT AND THE BRESNAN CREDIT FACILITIES WHICH COULD LEAD TO LEGAL PROCEEDINGS BEING INITIATED AGAINST US. THIS COULD IN TURN LEAD TO DEFAULTS UNDER OUR OTHER OBLIGATIONS.

Our acquisition of Bresnan will constitute an event of default under Bresnan's credit facilities, permitting the lenders to declare all amounts outstanding to be immediately due and payable. As of June 30, 1999, there were $500.0 million in borrowings outstanding under these facilities. We cannot assure you that we will able to obtain waivers of the events of default from the Bresnan lenders or assume and amend the existing Bresnan credit facilities or obtain capital sufficient to refinance the debt outstanding under these credit facilities. If we fail to so obtain waivers, assume and amend, or refinance, we may be unable to close the Bresnan acquisition and the Bresnan sellers and/or the lenders under the Bresnan credit facilities could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. This could trigger defaults under our other obligations, including our credit facilities and debt instruments.

SPECIFIED FORMER OWNERS OF RIFKIN ARE ENTITLED TO CAUSE US TO REDEEM THEIR PREFERRED MEMBERSHIP UNITS OF CHARTER COMMUNICATIONS HOLDING COMPANY. IF WE DO NOT HAVE SUFFICIENT CAPITAL TO FUND ANY OR ALL OF THESE REDEMPTIONS, THESE RIFKIN SELLERS COULD INITIATE LEGAL PROCEEDINGS AGAINST US. THIS COULD IN TURN LEAD TO DEFAULTS UNDER OUR OTHER OBLIGATIONS.

The Rifkin sellers who hold preferred membership units of Charter Communications Holding Company issued in connection with the Rifkin acquisition have the right to cause Charter Communications Holding Company to redeem these preferred membership units at any time prior to September 15, 2004. If Charter Communications Holding Company becomes obligated to redeem all of these preferred membership units under the terms of these securities, Charter Communications Holding Company would be obligated to redeem these preferred membership units for $133.3 million plus 8% accretion from September 14, 1999, the date of the Rifkin acquisition, through the date of redemption. We cannot guarantee that any or all of these holders of preferred membership units will not exercise their redemption rights, or that we will have sufficient capital to fund any or all of these redemptions. If we fail to satisfy any redemption demand, we would be in breach of the terms of these securities and the relevant holders could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under other obligations, including our credit facilities and debt instruments.

SPECIFIED FORMER OWNERS OF RIFKIN AND SPECIFIED OWNERS OF FALCON, BRESNAN AND HELICON WHO ACQUIRE EQUITY INTERESTS MAY BE ENTITLED TO CAUSE US TO REPURCHASE THEIR EQUITY INTERESTS BECAUSE OF POSSIBLE VIOLATIONS OF SECTION 5 OF THE SECURITIES ACT OF 1933. IF WE DO NOT HAVE SUFFICIENT CAPITAL TO FUND ANY OR ALL OF THESE REPURCHASES, ANY OF THE OWNERS OF THESE EQUITY INTERESTS COULD INITIATE LEGAL PROCEEDINGS AGAINST US. THIS COULD LEAD TO DEFAULTS UNDER OUR OTHER OBLIGATIONS.

The Rifkin sellers who received preferred membership units in connection with the Rifkin acquisition, the Falcon and Bresnan sellers who acquire membership units in the Falcon and Bresnan acquisitions and the Helicon sellers acquiring shares of Class A common stock in our directed share program may have rescission rights against Charter Communications, Inc. and Charter Communications Holding Company arising out of possible violations of Section 5 of the Securities Act of 1933 in connection with the offers and sales of these equity interests. If all of these equity holders successfully exercised their possible rescission rights and Charter Communications, Inc. or Charter Communications Holding Company became obligated to repurchase all of their equity interests, the total repurchase obligations would be approximately $1.6 billion as follows:

- up to a maximum of $133.3 million to repurchase all of the Rifkin sellers' equity interests;

- up to a maximum of $425 million to repurchase all of the Falcon sellers' equity interests. This amount would increase to $550 million if the Falcon sellers exercise their right to receive up to an additional $125 million of membership units in connection with the Falcon acquisition;

- up to a maximum of $1.0 billion to repurchase all of the Bresnan sellers' equity interests; and

- up to a maximum of $12 million to repurchase the shares of Class A common stock purchased by Helicon sellers in our directed share program.

We cannot assure you that we would be able to obtain capital sufficient to fund any required repurchases. If we failed to satisfy these obligations, these acquisition-related equity holders, as general unsecured creditors, could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

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

Upon the completion of our pending acquisitions, we will own and operate cable systems serving approximately 6.2 million customers, as compared to the cable systems we currently own which serve approximately 3.7 million customers. In addition, we may acquire more cable systems in the future, through direct acquisition, system swaps or otherwise. The integration of our new cable systems 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;

- our current information systems may be incompatible with the information systems we have acquired or plan to acquire. We may be unable to integrate these information systems at a reasonable cost or in a timely manner;

- 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.

THE FAILURE TO OBTAIN NECESSARY REGULATORY APPROVALS, OR TO SATISFY OTHER CLOSING CONDITIONS, COULD IMPEDE THE CONSUMMATION OF A PENDING ACQUISITION. THIS WOULD PREVENT OR DELAY OUR STRATEGY TO EXPAND OUR BUSINESS AND INCREASE REVENUES.

Our pending acquisitions are subject to federal, state and local regulatory approvals. We cannot assure you that we will be able to obtain any necessary approvals. These pending acquisitions are also subject to a number of other closing conditions. We cannot assure you as to when, or if, each such acquisition will be consummated. Any delay, prohibition or modification could adversely affect the terms of a pending acquisition or could require us to abandon an otherwise attractive opportunity and possibly forfeit earnest money.

OUR PENDING ACQUISITIONS MAY NOT BE CONSUMMATED AND IF NOT CONSUMMATED, OUR MANAGEMENT WILL HAVE BROAD DISCRETION WITH RESPECT TO THE USE OF THE PROCEEDS ALLOCATED TO SUCH ACQUISITIONS.

The consummation of each of our pending acquisitions is subject to a number of conditions. If these conditions are not materially met, the relevant acquisition may not be consummated. We cannot assure you that any or all of these acquisitions will be consummated on the terms described in this prospectus, or at all. This offering is not contingent or in any way dependent on the consummation of any or all of these acquisitions. If any of these acquisitions is not consummated, a significant portion of the net proceeds from the offering will not be designated for a specific use. In these circumstances, our management will have broad discretion with respect to the use of the proceeds of the offering and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately.

## OUR BUSINESS

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

We have a significant amount of debt. As of June 30, 1999, pro forma for our pending acquisitions and acquisitions completed since that date, our total debt was approximately $13.1 billion and our total stockholders' equity was approximately $2.8 billion. 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 under our credit facilities and to our noteholders;

- increase our vulnerability to general adverse economic and cable industry conditions, including interest rate fluctuations, because much 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, acquisitions of additional systems and other general corporate expenses;

- limit our flexibility in planning for, or reacting to, changes in our business and the cable industry generally;

- 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 such debt.

We anticipate incurring significant additional debt in the future to fund the expansion, maintenance and upgrade of our systems. We will also incur debt to finance pending acquisitions and related debt repayments, and may incur debt to finance additional acquisitions. If new debt is added to our current debt levels, the related risks that we and you now face could intensify.

THE AGREEMENTS AND INSTRUMENTS GOVERNING OUR DEBT CONTAIN RESTRICTIONS AND LIMITATIONS WHICH COULD SIGNIFICANTLY IMPACT OUR ABILITY TO OPERATE OUR BUSINESS.

Our credit facilities and the indentures governing our notes contain a number of significant covenants that could adversely impact our business. These covenants, among other things, restrict the ability of our subsidiaries to:

- pay dividends;

- pledge assets;

- dispose of assets or merge;

- incur additional debt;

- issue equity;

- repurchase or redeem equity interests and debt;

- create liens; and

- make certain investments or acquisitions.

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.

OUR ABILITY TO GENERATE THE SIGNIFICANT AMOUNT OF CASH NEEDED TO SERVICE OUR DEBT AND GROW OUR BUSINESS DEPENDS ON MANY FACTORS BEYOND OUR CONTROL.

Our ability to make payments on our debt and to fund our planned capital expenditures for upgrading our cable systems and for other purposes will depend on our ability to generate cash and 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 borrowings are not available to us under our credit facilities or from other sources of financing, we may not be able to repay our debt, 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 June 30, 1999, giving effect to pending acquisitions and recent acquisitions closed since June 30, 1999, our systems served approximately 392% more customers than were 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 revenue over our short operating history is not necessarily indicative of future performance.

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 the merger of Charter Holdings with Marcus Holdings and our recent and pending acquisitions. We reported net losses from continuing operations before extraordinary items of $5 million for 1997, $23 million for 1998 and $216 million for the six months ended June 30, 1999. On a pro forma basis, giving effect to the merger of Charter Holdings and Marcus Holdings and our recent and pending acquisitions, we had net losses from continuing operations before extraordinary item and minority interest of $1.6 billion for 1998. For the six months ended June 30, 1999, on the same pro forma basis, we had net losses from continuing operations before extraordinary item and minority interest of $775 million. 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 repay our 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 and the acquisition of additional cable systems. 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.

In addition, we cannot predict the success of our acquisition strategy. In the past year, the cable television industry has undergone dramatic consolidation which has reduced the number of future acquisition prospects. This consolidation may increase the purchase price of future acquisitions, and we may not be successful in identifying attractive acquisition targets in the future. Additionally, those acquisitions we do complete are not likely to have a positive net impact on our operating results in the near future.

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, add programming to our basic and expanded basic programming tiers and reposition premium services to the basic tier, 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.

WE MAY NOT BE ABLE TO OBTAIN CAPITAL SUFFICIENT TO FUND OUR PLANNED UPGRADES AND OTHER CAPITAL EXPENDITURES. THIS COULD ADVERSELY AFFECT OUR ABILITY TO OFFER NEW PRODUCTS AND SERVICES, WHICH COULD ADVERSELY AFFECT OUR GROWTH, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We intend to upgrade a significant portion of our cable systems over the coming years and make other capital investments. For the three years ending December 31, 2002, we plan to spend approximately $5.5 billion for capital expenditures, approximately $2.9 billion of which will be used to upgrade and rebuild our systems to bandwidth capacity of 550 megahertz or greater and add two-way capability so that we may offer advanced services. The remaining $2.6 billion will be used for extensions of systems, development of new products and services, purchases of converters and system maintenance.

We cannot assure you that these amounts will be sufficient to accomplish our planned system upgrades, maintenance and expansion. If we cannot obtain the necessary funds from increases in our operating cash flow, additional borrowings or other sources, we may not be able to fund our planned upgrades and expansion and offer new products and services on a timely basis. Consequently, our growth, our financial condition and the results of our operations could suffer materially.

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.

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 enhanced services in a timely manner, or to anticipate the demands of the market place, could adversely affect our ability to compete. Consequently, our growth, results of operations and financial condition 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 existing systems and the systems we plan to acquire in our pending acquisitions 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 cable 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.

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

Other than as described in this prospectus, there should be no expectation that Mr. Allen or his affiliates will contribute funds to us or to our subsidiaries in the future. In the past, Mr. Allen and/or his affiliates have contributed equity to Charter Investment, Inc. and Charter Communications Holding Company. Pursuant to a membership interests purchase agreement, Mr. Allen, through Vulcan Cable III Inc., contributed to Charter Communications Holding Company $500 million in cash in August 1999 and an additional $825 million in cash and equity interests acquired in the Rifkin acquisition in September 1999. In addition, Mr. Allen, through Vulcan Cable III Inc., has agreed to purchase an additional $750 million of membership units of Charter Communications Holding Company at the closing of the offering.

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 his shares of Class B common stock of Charter Communications, Inc. or causing Charter Investment, Inc. or Vulcan Cable III Inc. to sell their membership units in Charter Communications Holding Company after the lapse of a 180-day lock-up period following completion of this offering. We cannot assure you that Mr. Allen will maintain all or any portion of his direct or indirect ownership interest in us. 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 their equity interests or the loss of his services could adversely affect our growth, financial condition and results of operations, or adversely impact the market price of the Class A common stock.

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;

- regional telephone companies;

- long distance telephone service providers;

- electric utilities;

- local exchange carriers, which are local phone companies that provide local area telephone services and access to long distance services to customers;

- 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 and excludes broadcast companies that transmit their signal to customers without assessing a subscription fee. We also face competition from broadcast companies distributing television broadcast signals without assessing a subscription fee and from other communications and entertainment media, including the following:

- conventional off-air television and 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 this competition may affect our business and operations in the future.

DATA PROCESSING FAILURES AFTER DECEMBER 31, 1999 COULD SIGNIFICANTLY DISRUPT OUR OPERATIONS, CAUSING A DECLINE IN CASH FLOW AND REVENUES AND OTHER DIFFICULTIES.

The year 2000 problem affects our owned and licensed computer systems and equipment used in connection with internal operations. It also affects our non-information technology systems, including embedded systems in our buildings and other infrastructure. Additionally, since we rely directly and indirectly, in the regular course of business, on the proper operation and compatibility of third-party systems, the year 2000 problem could cause these systems to fail, err or become incompatible with our systems.

Much of our assessment efforts regarding the year 2000 problem have involved, and depend on, inquiries to third party service providers. Some of these third parties that have certified the readiness of their products will not certify that such products have operating compatibility with our systems. If we, or significant third parties with whom we communicate and do business through computers, fail to become year 2000 ready, or if the year 2000 problem causes our systems to become internally incompatible or incompatible with key third party systems, our business could suffer material disruptions. We could also face disruptions if the year 2000 problem causes general widespread problems or an economic crisis. We cannot now estimate the extent of these potential disruptions. We cannot assure you that our efforts to date and our ongoing efforts to prepare for the year 2000 problem will be sufficient to prevent a material disruption of our operations, particularly with respect to systems we may acquire prior to December 31, 1999. As a result of any such disruption, our growth, financial condition and results of operations could suffer materially.

THE LOSS OF KEY EXECUTIVES COULD ADVERSELY AFFECT OUR ABILITY TO MANAGE OUR BUSINESS.

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

## 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. 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.

There are proposals before the United States Congress and the Federal Communications Commission to require all cable operators to make a portion of their cable systems' bandwidth available to other Internet service providers, such as telephone companies. Certain local franchising authorities are considering or have already approved such "open access" requirements. Recently, a number of companies, including telephone companies and Internet service providers, 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. For example, Broward County, Florida granted open access to an Internet service provider as a condition to a cable operator's transfer of its franchise for cable service. The cable operator has commenced legal action at the federal district court level. A federal district court in Portland, Oregon has also upheld the legality of an open access requirement.

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 typically 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 establish 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, such 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.

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

In addition to the franchise document, cable authorities have also adopted in some jurisdictions 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 June 30, 1999, we have refunded a total of approximately $50,000 since our inception. We may be required to refund additional amounts in the future.

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

On March 31, 1999, the pricing guidelines of expanded basic cable programming packages were 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 television 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, and 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 who 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.

THE OFFERING

RISKS OF EXTREME VOLATILITY OF MARKET PRICE OF CLASS A COMMON STOCK.

The initial public offering price that we determine, with the assistance of the underwriters, may have no relation to the price at which the Class A common stock trades after completion of the offering. We and the underwriters will consider many factors in determining the initial public offering price of the shares of Class A common stock, including:

- our historical performance;

- estimates of our business potential and our earnings prospects;

- an assessment of our management; and

- the consideration of the above factors in relation to market valuation of companies in related businesses.

The market price of the Class A common stock may be extremely volatile for many reasons, including:

- actual or anticipated variations in our revenues and operating results;

- a public market for the Class A common stock may not develop;

- announcements of the development of improved or competitive technologies;

- the use of new products or promotions by us or our competitors;

- the offer and sale by us in the future of additional shares of Class A common stock or other equity securities;

- changes in financial forecasts by securities analysts;

- new conditions or trends in the cable industry; and

- market conditions.

A SALE OF CONVERTIBLE DEBT, CONVERTIBLE PREFERRED STOCK OR OTHER EQUITY SECURITIES BY US OR THE PERCEPTION THAT ANY SUCH SALE COULD OCCUR COULD ADVERSELY AFFECT THE MARKET PRICE OF THE CLASS A COMMON STOCK BECAUSE THESE SALES COULD CAUSE THE AMOUNT OF OUR STOCK AVAILABLE FOR SALE IN THE MARKET TO EXCEED THE AMOUNT OF DEMAND FOR OUR CLASS A COMMON STOCK.

Charter Communications, Inc. and Charter Communications Holding Company each have the right to sell convertible debt, convertible preferred stock or other equity securities even though they have agreed not to sell shares of Class A common stock for 180 days following this offering. Any such sale, for example, a sale by us to fund a portion of the Bresnan acquisition purchase price, could cause the market price for our Class A common stock to decline if we sold more equity-related securities than demand existed in the market for the Class A common stock.

THE MARKET PRICE FOR OUR CLASS A COMMON STOCK COULD BE ADVERSELY AFFECTED BY THE LARGE NUMBER OF ADDITIONAL SHARES ELIGIBLE FOR ISSUANCE IN THE FUTURE.

Immediately following the offering, 170,000,000 shares of Class A common stock will be issued and outstanding. An additional 407,126,439 shares of Class A common stock will be issuable under the circumstances described in the section "Shares Eligible for Future Sale". Substantially all of the shares of Class A common stock issuable upon exchange of Charter Communications Holding Company membership units and all shares of Class A common stock issuable upon conversion of shares of our Class B common stock will have "demand" and/or "piggyback" registration rights attached to them, including those issuable to Mr. Allen through Charter Investment, Inc. and Vulcan Cable III Inc. Any sales of Class A common stock or the perception that such sales could occur could adversely affect the market price for shares of our Class A common stock because these sales could cause the amount of our stock available for sale in the market to exceed the amount of demand for our stock and could also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we deem appropriate. This could adversely affect our ability to fund our current and future obligations. See "Shares Eligible For Future Sale".

"Demand" rights enable the holders to demand that their shares be registered and may require us to file a registration statement under the Securities Act at our expense. "Piggyback" rights provide for notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act, and grant such holders the right to include their shares in the registration statement. Shares of Class A common stock not held by our affiliates will be freely saleable at the end of the relevant restricted period pursuant to Rule 144 of the Securities Act.

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION RESULTING IN YOUR STOCK BEING WORTH LESS ON A NET TANGIBLE BOOK VALUE BASIS THAN THE AMOUNT YOU INVESTED.

Purchasers of the Class A common stock offered hereby will experience an immediate dilution in net tangible book value of $75.50 per share of Class A common stock purchased. Accordingly, in the event we are liquidated, investors may not receive the full amount of their investment. See "Dilution".

## 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. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this prospectus are set forth under the caption "Risk Factors" and elsewhere in this prospectus and include, but are not limited to:

- our plans to achieve growth by offering new products and services and through acquisitions;

- our anticipated capital expenditures for our planned upgrades and the ability to fund these expenditures;

- our failure to obtain financing sufficient to complete our pending acquisitions and related obligations;

- our beliefs regarding the effects of governmental regulation on our business;

- our ability to effectively compete in a highly competitive environment; and

- our expectations to be ready for any year 2000 problem.

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

## USE OF PROCEEDS

We estimate that the net proceeds from our sale of 170,000,000 shares of Class A common stock will be $2.94 billion, after deducting underwriting discounts. This assumes an initial public offering price of $18.00 per share, which is the mid-point of the range appearing on the cover page of this prospectus. The estimated offering expenses of $40 million will be paid by Charter Communications Holding Company. If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds from our sale of 195,500,000 shares will be $3.38 billion. In addition, concurrently with the closing of the offering, Charter Communications Holding Company will receive proceeds of $750 million from an equity purchase by Mr. Allen, through Vulcan Cable III Inc., for membership units at a purchase price per membership unit equal to the net initial public offering price per share, which is the initial public offering price less the underwriting discount.

Concurrently with the closing of the offering, Charter Communications, Inc. will contribute to Charter Communications Holding Company the net proceeds of the offering, except for a portion of the proceeds which will be retained by Charter Communications, Inc. to acquire a portion of the equity interests in the Avalon acquisition. Charter Communications, Inc. has committed to contribute these equity interests to Charter Communications Holding Company. In exchange for the contribution of the net proceeds of the offering by Charter Communications, Inc. and Charter Communications, Inc.'s obligation to contribute to Charter Communications Holding Company equity interests acquired in connection with the Avalon acquisition, Charter Communications Holding Company will issue to Charter Communications, Inc. 170,000,000 membership units concurrently with the closing of the offering. See "Description of Capital Stock and Membership Units -- Membership Units".

The membership units of Charter Communications Holding Company acquired by Charter Communications, Inc. will represent an approximate 31% equity interest in Charter Communications Holding Company. If the underwriters exercise their over-allotment option in full, this percentage would be approximately 34%. The price per membership unit to be acquired by Charter Communications, Inc. will be equal to the net initial public offering price per share.

Charter Communications Holding Company will use the cash proceeds from the sale of the membership units to Charter Communications, Inc., together with the proceeds from the $750 million equity purchase described above, to pay a portion of the cash purchase prices of the pending acquisitions. These sources, together with other currently available sources, will not be sufficient to consummate these acquisitions, and we will require additional financing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Acquisitions" and the accompanying sources and uses table for more information. We expect, but cannot guarantee, that these acquisitions will be completed by the end of the first quarter of 2000. See "Business -- Acquisitions" for further information on these acquisitions.

Pending Charter Communications Holding Company's use of the net proceeds of this offering as described above, we may invest the funds in appropriate short-term investments as determined by us or repay amounts outstanding under Charter Operating's revolving credit facilities.

## DIVIDEND POLICY

We do not expect to pay any cash dividends on our Class A common stock in the foreseeable future. Charter Communications Holding Company is required under certain circumstances to pay distributions pro rata to all its common members to the extent necessary for any common member to pay taxes incurred with respect to its share of taxable income attributed to Charter Communications Holding Company. Covenants in the indentures and credit agreements governing the indebtedness of Charter Communications Holding Company's subsidiaries restrict their ability to make distributions to us and, accordingly, limit our ability to declare or pay cash dividends. We intend to cause Charter Communications Holding Company and its subsidiaries to retain future earnings, if any, to finance the expansion of the business of Charter Communications Holding Company and its subsidiaries.

# CAPITALIZATION

The following table sets forth as of June 30, 1999 on a consolidated basis:

- the actual capitalization of Charter Communications Holding Company;

- the pro forma capitalization of Charter Communications, Inc., assuming that as of June 30, 1999:

(1) Mr. Allen, through Vulcan Cable III Inc., had made a total equity contribution of $1.325 billion to Charter Communications Holding Company for membership units at a price per membership unit of $20.73;

(2) Mr. Allen, through Vulcan Cable III Inc., had purchased membership units from Charter Communications Holding Company for $750 million at a price per membership unit equal to the net initial public offering price per share;

(3) all acquisitions closed since June 30, 1999 and all of our pending acquisitions, including the completion of the swap transaction agreed in the InterMedia acquisition, had been completed and the credit facilities committed for Fanch, Avalon and Falcon had closed;

(4) all of the Helicon and Rifkin notes had been called or repurchased through tender offers;

(5) the Avalon notes had not been put to us as permitted under the change of control provisions in the indentures for these notes. Because the Avalon notes are puttable to us, they have been classified as short-term debt. We assume that we will repurchase all of the Falcon and Bresnan notes and debentures at a price equal to 101% of their aggregate principal amounts, plus accrued interest, or their accreted value, as applicable. The repurchase of the Falcon notes is expected to be financed by a bridge loan facility for which we have received a commitment. However, due to the closing conditions of the Falcon bridge loan facility that are outside of our control, we have classified the debt as short-term;

(6) no membership units in Charter Communications Holding Company had been exchanged for Class A or Class B common stock of Charter Communications, Inc.;

(7) the Bresnan acquisition and related obligations had been funded with additional debt of $1.7 billion, consisting of borrowings under credit facilities at Bresnan that have not yet been arranged. Accordingly, this debt is classified as short-term; and

(8) none of the options to purchase membership units granted under the Charter Communications Holding Company option plan or granted to our chief executive officer had been exercised.

- the pro forma as adjusted capitalization of Charter Communications, Inc. to reflect:

  (1) the issuance and sale by Charter Communications, Inc. of the shares of Class A common stock offered in this prospectus for net proceeds of $2.9 billion, after deducting underwriting discounts and estimated offering expenses totaling $162 million, of which $40 million will be paid by Charter Communications Holding Company;

  (2) an initial public offering price per share of $18.00, which is the mid-point of the range appearing on the cover page of this prospectus;

  (3) the issuance and sale by Charter Communications, Inc. of 50,000 shares of high vote Class B common stock to Mr. Allen for proceeds of $0.9 million; and

  (4) the purchase by Charter Communications, Inc. of 170.05 million membership units in Charter Communications Holding Company resulting in the consolidation of Charter Communications Holding Company by Charter Communications, Inc.

This table should be read in conjunction with the "Unaudited Pro Forma Financial Statements" and the accompanying notes included elsewhere in this prospectus. See also "Use of Proceeds".

| | AS OF JUNE 30, 1999 | | |
|---|---|---|---|
| | CHARTER COMMUNICATIONS HOLDING COMPANY | CHARTER COMMUNICATIONS, INC. | |
| | ACTUAL | PRO FORMA | PRO FORMA AS ADJUSTED |
| | (DOLLARS IN THOUSANDS) | | |
| Current liabilities: | | | |
| Notes -- Avalon(a) | -- | 346,000 | 346,000 |
| 8% liability to Falcon sellers(b) | -- | 425,000 | 425,000 |
| 8% liability to Rifkin sellers(b) | -- | 133,312 | 133,312 |
| 8% liability to Bresnan sellers(b) | -- | 1,000,000 | 1,000,000 |
| Bridge loan facility -- Falcon(c) | -- | 705,687 | 705,687 |
| Pending acquisitions payable(d) | -- | 2,898,500 | -- |
| Other(e) | -- | 1,715,267 | 1,715,267 |
| | -- | 7,223,766 | 4,325,266 |
| Net unamortized discount | -- | (67,375) | (67,375) |
| Total current liabilities(f) | -- | 7,156,391 | 4,257,891 |
| Long-term debt: | | | |
| Credit facilities(g) | 2,025,000 | 5,684,156 | 5,684,156 |
| 8.250% senior notes -- Charter Holdings | 600,000 | 600,000 | 600,000 |
| 8.625% senior notes -- Charter Holdings | 1,500,000 | 1,500,000 | 1,500,000 |
| 9.920% senior discount notes -- Charter Holdings | 1,475,000 | 1,475,000 | 1,475,000 |
| 10% senior discount notes -- Renaissance | 114,413 | 114,413 | 114,413 |
| Other(h) | 1,010 | 26,010 | 26,010 |
| | 5,715,423 | 9,399,579 | 9,399,579 |
| Net unamortized discount | (581,113) | (581,113) | (581,113) |
| Total long-term debt | 5,134,310 | 8,818,466 | 8,818,466 |
| Members' equity(i) | 3,204,122 | 5,279,122 | -- |
| Minority interest(i)(j) | -- | -- | 5,368,064 |
| Stockholders' equity: | | | |
| Class A common stock; $.001 par value; 1.5 billion shares authorized; 170 million shares issued and outstanding on a pro forma basis | -- | -- | 170 |
| Class B common stock; $.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding on a pro forma basis | -- | -- | -- |
| Preferred stock; $.001 par value; 250 million shares authorized; no shares issued and outstanding | -- | -- | -- |
| Additional paid-in capital | | -- | 2,809,388 |
| Total stockholders' equity(j)(k) | -- | -- | 2,809,558 |
| Total capitalization | $8,338,432 | $21,253,979 | $21,253,979 |

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(a) Consists of 9.375% senior subordinated notes of $150 million and 11.875% senior discount notes of $196 million, which are puttable to us based on change of control provisions.

(b) This represents the potential obligations to repurchase the equity interests issued to Rifkin, Falcon and Bresnan sellers arising from possible violations of Section 5 of the Securities Act. We have classified these obligations as short-term debt because these obligations could be put to us as unsecured creditor claims.

(c) The Falcon bridge loan facility has an average variable interest rate of 10.04% per year, with total borrowing capacity of $750 million. Proceeds will be used to repurchase the Falcon notes and debentures that are put to us under applicable change of control provisions.

(d) Pending acquisitions payable represents a portion of the purchase prices of the pending acquisitions to be funded by the proceeds of the offering.

(e) Pro forma as adjusted amount includes $1.7 billion of additional debt that we expect to raise prior to the closing of the Bresnan acquisition to fund a portion of the purchase price of this acquisition.

(f) Pro forma as adjusted represents our $4.3 billion estimated shortfall. This shortfall could further increase by $0.1 billion if we were required to pay InterMedia such amount for a cable system that we did not transfer in our swap with InterMedia because the necessary regulatory approvals were still pending.

If we are unable to arrange additional financing to fund the amounts described in this note (f) and in notes (a), (b), (c) and (e) above, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. If we are so in default, the relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

(g) Pro forma as adjusted credit facilities consist of $3.6 billion of existing credit facilities at Charter Operating, $2.1 billion of committed credit facilities at Falcon, Avalon and Fanch.

(h) Represents the notes of certain subsidiaries of Charter Communications Holding Company and preferred equity interests issued in the Helicon acquisition.

(i) Minority interest represents total members' equity of Charter Communications Holding Company multiplied by 66% (pro forma as adjusted), the estimated ownership percentages of Charter Communications Holding Company not held by Charter Communications, Inc. See "Unaudited Pro Forma Financial Statements". Pro forma members' equity includes additional equity contributions to Charter Communications Holding Company by Mr. Allen, through Vulcan Cable III Inc., of $2.075 billion. Gains (losses) arising from issuances by Charter Communications Holding Company of its membership units will be recorded as capital transactions in our consolidated financial statements thereby increasing (decreasing) our total stockholders' equity.

(j) Approximately 66% of the membership units of Charter Communications Holding Company are exchangeable for Class A and Class B common stock of Charter Communications, Inc. at the option of the equity holders. We assume in this table that none of these membership units are exchanged for Charter Communications, Inc. common stock. If all equity holders in Charter Communications Holding Company exchanged all of their membership units for common stock, total stockholders' equity would increase by $5.4 billion and minority interest would decrease by $5.4 billion.

(k) Assuming the underwriters' option to purchase additional shares of Class A common stock is exercised and the net proceeds are used to purchase approximately an additional 3% of the membership units of Charter Communications Holding Company, total stockholders' equity would increase by $428.5 million.

# DILUTION

The following table illustrates the dilution in pro forma net tangible book value (total tangible assets less total liabilities) on a per share basis. In calculating the dilution, we have made the same assumptions that we made with respect to our unaudited pro forma financial statements. We have also assumed the issuance of 170 million shares of Class A common stock offered in this prospectus and the purchase of 50,000 shares of Class B common stock by Mr. Allen.

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 18.00 |
| Pro forma net tangible book value per share at June 30, 1999 | $(38.99) | |
| Decrease in pro forma net tangible book value per share attributable to new investors purchasing shares in the offering | (18.51) | |
| Pro forma net tangible book value per share after the offering(a) | | (57.50) |
| Pro forma dilution per share to new investors(b) | | $ 75.50 |

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(a) Represents pro forma total stockholders' equity of $2.8 billion less intangible assets of $12.6 billion divided by pro forma shares outstanding of 170,050,000.

(b) Assuming the exercise of the underwriters' over-allotment option, pro forma dilution per share to new investors would be $65.75.

The table above and related discussion assumes no exercise of any options to purchase membership units exchangeable for common stock of Charter Communications, Inc. As of October 15, 1999, there were options outstanding to purchase 16,250,408 Charter Communications Holding Company membership units at exercise prices ranging from $20.00 to $20.73 per unit. Membership units received upon exercise of these options will be automatically exchanged for shares of Class A common stock on a one-for-one basis. To the extent that all of these options are exercised, no additional pro forma dilution per share to the new investors would occur.

The following table summarizes the relative investment in Charter Communications, Inc. by the existing holders of Charter Communications, Inc. common stock and by the investors in the offering, giving pro forma effect to the offering and treating all exchangeable membership units of Charter Communications Holding Company as common stock of Charter Communications, Inc.

| | SHARES PURCHASED | | TOTAL CONSIDERATION | | AVERAGE PRICE PER SHARE |
|---|---|---|---|---|---|
| | NUMBER | PERCENT | AMOUNT (IN THOUSANDS) | PERCENT | |
| Existing holders | 324,955,052 | 66% | $5,633,200 | 65% | $17.34 |
| New investors | 170,000,000 | 34% | 3,060,000 | 35% | 18.00 |
| Total | 494,955,052 | 100% | $8,693,200 | 100% | |

## UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following Unaudited Pro Forma Financial Statements of Charter Communications, Inc. are based on the pro forma financial statements of Charter Communications Holding Company. Prior to the issuance and sale by Charter Communications, Inc. of Class A common stock in the offering, Charter Communications, Inc. is a holding company with no material assets or operations. The net proceeds from the initial public offering will be used to purchase membership units in Charter Communications Holding Company, including a controlling voting interest. As a result, Charter Communications, Inc. will consolidate the financial statements of Charter Communications Holding Company. Our consolidated financial statements will include the assets and liabilities of Charter Communications Holding Company at their historical carrying values since both Charter Communications, Inc. and Charter Communications Holding Company are under the control of Mr. Allen before and after the offering. Since January 1, 1999, Charter Communications Holding Company has closed numerous acquisitions and has several pending acquisitions. In addition, a subsidiary of Charter Communications Holding Company merged with Marcus Holdings in April 1999. Our financial statements, on a consolidated basis with Charter Communication Holding Company, are adjusted on a pro forma basis to illustrate the estimated effects of pending acquisitions and acquisitions closed since June 30, 1999 as if such transactions had occurred on June 30, 1999 for the Unaudited Pro Forma Balance Sheet and to illustrate the estimated effects of the following transactions as if they had occurred on January 1, 1998 for the Unaudited Pro Forma Statements of Operations:

(1) the acquisition of Charter Communications Holding Company on December 23, 1998 by Mr. Allen;

(2) the acquisition of certain cable systems from Sonic Communications Inc. on May 20, 1998 by Charter Communications Holding Company 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;

(3) the acquisition of Marcus Cable by Mr. Allen and Marcus Holdings' merger with and into Charter Holdings effective March 31, 1999;

(4) the acquisitions and dispositions during 1998 by Marcus Cable;

(5) Charter Communications Holding Company's and its subsidiaries' acquisitions completed since January 1, 1999 and pending acquisitions; and

(6) the refinancing of all the debt of our subsidiaries through the issuance of notes and funding under our credit facilities.

The Unaudited Pro Forma Financial Statements also illustrate the estimated effects of the issuance and sale by us of 170 million shares of Class A common stock using an initial offering price of $18.00, after deducting underwriting discounts and estimated offering expenses, and the equity contribution of the net proceeds to Charter Communications Holding Company. We have assumed that the underwriters have not exercised their over-allotment option and none of the options to purchase membership units granted under the Charter Communications Holding Company option plan or granted to our chief executive officer have been exercised. We have assumed the net proceeds would purchase 170 million common membership units in Charter Communications Holding Company, representing a 44% economic interest and a 100% voting interest, prior to the equity contributions from Mr. Allen and the closing of any of the pending acquisitions. Prior to the initial public offering, Charter Investment, Inc. owned approximately 217.6 million common membership units of Charter Communications Holding Company.

After considering additional membership units issued by Charter Communications Holding Company to Mr. Allen, through Vulcan Cable III Inc., and to the sellers of Falcon and Bresnan, the economic interest held by Charter Communications, Inc. in Charter Communications Holding Company is reduced to 31%. Based on the terms of the agreements with the sellers of Falcon and Bresnan, we estimate they will receive 16.2 million and 36.6 million membership units, respectively, at a price per membership unit of $26.24 and $27.32, respectively. The number of membership units could vary based on the value of Charter Communications Holding Company at the closing of the acquisitions; however, we believe the effects of any change in this number of membership units would not have a material impact on the Unaudited Pro Forma Financial Statements. Because of possible violations of Section 5 of the Securities Act, the holders of these equity interests may have unsecured creditor rights to require us to repurchase all of these equity interests in connection with the issuance of membership units to the Falcon and Bresnan sellers. We have classified these potential obligations as short-term debt in the Unaudited Pro Forma Financial Statements. Accordingly, we have increased Charter Communications, Inc.'s equity interest in Charter Communications Holding Company to 34%.

Mr. Allen will receive 43.4 million membership units for the $750 million equity investment he is making at the time of the offering. Prior to the initial public offering Mr. Allen contributed $1.325 billion and received 63.9 million membership units. As such, the consolidated pro forma financial statements of Charter Communications, Inc. reflect a minority interest equal to 66% of the equity of Charter Communications Holding Company after the investment by Charter Communications, Inc. and depict 66% of the net losses applicable to the common members of Charter Communications Holding Company being allocated to the minority interest.

The Unaudited Pro Forma Financial Statements reflect the application of the principles of purchase accounting to the transactions listed in items (1) through (5) above. The allocation of purchase price is based, in part, on preliminary information which is subject to adjustment upon obtaining complete valuation information of intangible assets. We believe that finalization of the purchase price will not have a material impact on the results of operations or financial position of Charter Communications, Inc. or Charter Communications Holding Company.

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. In particular, the pro forma adjustments assume the following:

- We will transfer to InterMedia the Indiana cable system that was retained at the time of the InterMedia closing pending receipt of necessary regulatory approvals.

- The holders of the public notes and debentures of Avalon will not require us to repurchase these notes and debentures as required by change of control provisions in the indentures for these notes and debentures. We will repurchase the Falcon and the Bresnan notes at a price equal to 101% of the aggregate principal amount, plus accrued interest. The repurchase of the Falcon notes is expected to be financed by a bridge loan for which we have received a commitment. However, due to closing conditions of the bridge loan facility that are outside of our control, we have classified the debt as short-term.

- We will pay $425 million of Falcon's purchase price in the form of membership units in Charter Communications Holding Company. A portion of the purchase price, ranging from a minimum with an estimated value of $425 million to a maximum with a fixed value of $550 million, will be payable in the form of membership units in Charter Communications Holding Company. The exact minimum amount of purchase price payable in membership units will be determined by reference to a formula in the Falcon acquisition purchase agreement. The Falcon sellers have the right to determine the amount of the purchase price payable in membership units within the minimum and maximum range.

- As of the closing of the offering, approximately 66% of the membership units of Charter Communications Holding Company will be exchangeable for Class A and Class B common stock of Charter Communications, Inc. at the option of the holders. We assume none of these membership units are exchanged for Charter Communications, Inc.'s common stock.

- We will fund the Bresnan acquisition and related obligations with additional debt of $1.7 billion with an assumed interest rate of 10%. The 10% rate is a current market rate approximating the rate on debt similar to our 9.92% senior discount notes issued in March 1999. These additional funds have not been arranged. We have classified this shortfall as short term debt.

The estimated impacts of alternative outcomes of the events described above are disclosed in the notes to the Unaudited Pro Forma Financial Statements.

We plan to fund the Avalon, Fanch and Falcon acquisitions with the proceeds of the offering, Mr. Allen's equity contributions through Vulcan Cable III Inc., borrowings under committed credit facilities and equity issued to specified sellers in the Falcon acquisition. We plan to fund any repurchases of Falcon debentures and notes that are put to us with borrowings under the committed Falcon bridge loan facility, or other debt financing if available.

Available and committed sources of funds will not be sufficient to consummate our pending acquisitions and fund related obligations. In connection with our acquisitions, we may need to raise additional amounts up to a total of approximately $4.36 billion.

We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facility borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion in Bresnan notes that we expect to be put to us in connection with required change of control offers for these notes.

In addition, we will have to raise approximately $2.64 billion of additional financing if we are required to pay:

- approximately $0.71 billion to repurchase outstanding notes of Falcon if committed bridge loan financing does not close;

- approximately $0.27 billion to repurchase outstanding notes of Avalon;

- approximately $1.57 billion to repurchase equity interests issued or to be issued to specified sellers in connection with a number of our acquisitions; and

- approximately $0.09 billion to InterMedia if we do not obtain timely regulatory approvals for our transfer to InterMedia of an Indiana cable system and we are unable to transfer replacement systems.

We cannot assure you that we will be able to raise the financing necessary to consummate our pending acquisitions and to satisfy the obligations described above. If we are unable to raise the financing necessary to satisfy any or all of these obligations, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. In any such case, the relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

The Unaudited Pro Forma Financial Statements of Charter Communications, Inc. 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 STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1999

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | CHARTER COMMUNICATIONS HOLDING COMPANY (NOTE A) | RECENT ACQUISITIONS (NOTE B) | SUBTOTAL | PENDING ACQUISITIONS (NOTE B) |
|---|---|---|---|---|
| Revenues | $ 594,173 | $ 315,541 | $ 909,714 | $ 522,334 |
| Operating expenses: | | | | |
| Operating, general and administrative | 310,325 | 160,519 | 470,844 | 267,170 |
| Depreciation and amortization | 313,621 | 161,876 | 475,497 | 361,952 |
| Stock option compensation expense | 38,194 | -- | 38,194 | -- |
| Corporate expense charges (Note E) | 11,073 | 20,059 | 31,132 | 16,595 |
| Management fees | -- | 5,572 | 5,572 | 3,168 |
| Total operating expenses | 673,213 | 348,026 | 1,021,239 | 648,885 |
| Loss from operations | (79,040) | (32,485) | (111,525) | (126,551) |
| Interest expense | (183,869) | (114,588) | (298,457) | (255,682) |
| Interest income | 10,189 | 456 | 10,645 | 788 |
| Other income (expense) | 2,682 | (905) | 1,777 | (15) |
| Income (loss) before minority interest | (250,038) | (147,522) | (397,560) | (381,460) |
| Minority interest | -- | -- | -- | -- |
| Loss before extraordinary item | $ (250,038) | $(147,522) | $ (397,560) | $ (381,460) |
| Basic loss per share (Note F) | | | | |
| Diluted loss per share (Note F) | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | | | | |
| Diluted | | | | |
| OTHER FINANCIAL DATA: | | | | |
| EBITDA (Note G) | $ 237,263 | $ 128,486 | $ 365,749 | $ 235,386 |
| EBITDA margin (Note H) | 39.9% | 40.7% | 40.2% | 45.1% |
| Adjusted EBITDA (Note I) | $ 283,848 | $ 155,022 | $ 438,870 | $ 255,164 |
| Cash flows from operating activities | 172,770 | 89,238 | 262,008 | 189,042 |
| Cash flows used in investing activities | (271,191) | (111,785) | (382,976) | (67,411) |
| Cash flows from (used in) financing activities | 207,131 | 188,571 | 395,702 | 455,277 |
| Cash interest expense | | | | |
| Capital expenditures | 262,507 | 101,127 | 363,634 | 116,268 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | | |
| Homes passed (Note J) | 4,509,000 | 1,446,000 | 5,955,000 | 3,793,000 |
| Basic customers (Note K) | 2,734,000 | 969,000 | 3,703,000 | 2,463,000 |
| Basic penetration (Note L) | 60.6% | 67.0% | 62.2% | 64.9% |
| Premium units (Note M) | 1,676,000 | 543,000 | 2,219,000 | 856,000 |
| Premium penetration (Note N) | 61.3% | 56.0% | 59.9% | 34.8% |
| Average monthly revenue per basic customer (Note O) | | | | |

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | REFINANCING ADJUSTMENTS (NOTE C) | OFFERING ADJUSTMENTS (NOTE D) | TOTAL |
|---|---|---|---|
| Revenues | $ -- | $ -- | $ 1,432,048 |
| Operating expenses: | | | |
| Operating, general and administrative | -- | -- | 738,014 |
| Depreciation and amortization | -- | -- | 837,449 |
| Stock option compensation expense | -- | -- | 38,194 |
| Corporate expense charges (Note E) | -- | -- | 47,727 |
| Management fees | -- | -- | 8,740 |
| Total operating | | | |

| | | | |
|---|---|---|---|
| expenses | -- | -- | 1,670,124 |
| Loss from operations | -- | -- | (238,076) |
| Interest expense | 4,300 | -- | (549,839) |
| Interest income | -- | -- | 11,433 |
| Other income (expense) | -- | -- | 1,762 |
| Income (loss) before minority interest | 4,300 | -- | (774,720) |
| Minority interest | -- | 508,552 | 508,552 |
| Loss before extraordinary item | $ 4,300 | $508,552 | $ (266,168) |
| Basic loss per share (Note F) | | | $(1.57) |
| Diluted loss per share (Note F) | | | $(1.57) |
| Weighted average shares outstanding: | | | |
| Basic | | | 170,050,000 |
| Diluted | | | 170,050,000 |
| OTHER FINANCIAL DATA: | | | |
| EBITDA (Note G) | | | $ 601,135 |
| EBITDA margin (Note H) | | | 42.0% |
| Adjusted EBITDA (Note I) | | | $ 694,034 |
| Cash flows from operating activities | | | 451,050 |
| Cash flows used in investing activities | | | (450,387) |
| Cash flows from (used in) financing activities | | | 850,979 |
| Cash interest expense | | | 401,319 |
| Capital expenditures | | | 479,902 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | |
| Homes passed (Note J) | | | 9,748,000 |
| Basic customers (Note K) | | | 6,166,000 |
| Basic penetration (Note L) | | | 63.3% |
| Premium units (Note M) | | | 3,075,000 |
| Premium penetration (Note N) | | | 49.9% |
| Average monthly revenue per basic customer (Note O) | | | $ 38.71 |

NOTES TO UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

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

| | HISTORICAL | | | |
|---|---|---|---|---|
| | 1/1/99 THROUGH 6/30/99 CHARTER COMMUNICATIONS HOLDING COMPANY | 1/1/99 THROUGH 3/31/99 MARCUS HOLDINGS(A) | PRO FORMA ADJUSTMENTS | TOTAL |
| Revenues | $ 468,993 | $125,180 | $ -- | $ 594,173 |
| Operating expenses: | | | | |
| Operating, general and administrative | 241,341 | 68,984 | -- | 310,325 |
| Depreciation and amortization | 249,952 | 51,688 | 11,981(b) | 313,621 |
| Stock option compensation expense | 38,194 | -- | -- | 38,194 |
| Corporate expense charges | 11,073 | -- | -- | 11,073 |
| Management fees | -- | 4,381 | (4,381)(c) | -- |
| Total operating expenses | 540,560 | 125,053 | 7,600 | 673,213 |
| Income (loss) from operations | (71,567) | 127 | (7,600) | (79,040) |
| Interest expense | (157,669) | (27,067) | 867(d) | (183,869) |
| Interest income | 10,085 | 104 | -- | 10,189 |
| Other income (expense) | 2,840 | (158) | -- | 2,682 |
| Loss before extraordinary item | $(216,311) | $(26,994) | $(6,733) | $(250,038) |

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(a) Marcus Holdings represents the results of operations of Marcus Holdings through March 31, 1999, the date of its merger with Charter Holdings.

(b) As a result of Mr. Allen acquiring a controlling interest in Marcus Cable, a large portion of the purchase price was recorded as franchises ($2.5 billion) that are amortized over 15 years. This resulted in additional amortization for the period from January 1, 1999 through March 31, 1999. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

| | FAIR VALUE | WEIGHTED AVERAGE USEFUL LIFE (IN YEARS) | DEPRECIATION/ AMORTIZATION |
|---|---|---|---|
| Franchises | $2,500.0 | 15 | $ 40.8 |
| Cable distribution systems | 720.0 | 8 | 21.2 |
| Land, buildings and improvements | 28.3 | 10 | 0.7 |
| Vehicles and equipment | 13.6 | 3 | 1.0 |
| Total depreciation and amortization | | | 63.7 |
| Less -- historical depreciation and amortization of Marcus Cable | | | (51.7) |
| Adjustment | | | $ 12.0 |

(c) Reflects the elimination of management fees.

(d) As a result of the acquisition of Marcus Cable by Mr. Allen, the carrying value of outstanding debt was recorded at estimated fair value, resulting in a debt premium that is to be amortized as an offset to interest expense over the term of the debt. This resulted in a reduction of interest expense.

NOTE B: Pro forma operating results for our recent acquisitions and pending acquisitions consist of the following (dollars in thousands):

| | SIX MONTHS ENDED JUNE 30, 1999 RECENT ACQUISITIONS -- HISTORICAL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | RENAISSANCE(A) | AMERICAN CABLE(A) | GREATER MEDIA SYSTEMS | HELICON | RIFKIN(A) | INTERMEDIA SYSTEMS | OTHER | TOTAL RECENT |
| Revenues | $20,396 | $12,311 | $42,348 | $ 42,956 | $105,592 | $100,644 | $ 9,157 | $333,404 |
| Operating expenses: | | | | | | | | |
| Operating, general and administrative | 9,382 | 6,465 | 26,067 | 26,927 | 59,987 | 55,248 | 4,921 | 188,997 |
| Depreciation and amortization | 8,912 | 5,537 | 5,195 | 13,584 | 54,250 | 52,309 | 2,919 | 142,706 |
| Management fees | -- | 369 | -- | 2,148 | 1,701 | 1,566 | 298 | 6,082 |
| Total operating expenses | 18,294 | 12,371 | 31,262 | 42,659 | 115,938 | 109,123 | 8,138 | 337,785 |
| Income (loss) from operations | 2,102 | (60) | 11,086 | 297 | (10,346) | (8,479) | 1,019 | (4,381) |
| Interest expense | (6,321) | (3,218) | (565) | (15,831) | (23,781) | (11,757) | (1,653) | (63,126) |
| Interest income | 122 | 32 | -- | 105 | -- | 163 | -- | 422 |
| Other income (expense) | -- | 2 | (398) | -- | (471) | (6) | (30) | (903) |
| Income (loss) before income tax expense | (4,097) | (3,244) | 10,123 | (15,429) | (34,598) | (20,079) | (664) | (67,988) |
| Income tax expense | (65) | 5 | 4,535 | -- | (1,239) | (2,690) | -- | 546 |
| Income (loss) before extraordinary item | $(4,032) | $(3,249) | $5,588 | $(15,429) | $(33,359) | $(17,389) | $ (664) | $(68,534) |

| | SIX MONTHS ENDED JUNE 30, 1999 PENDING ACQUISITIONS -- HISTORICAL | | | | |
|---|---|---|---|---|---|
| | AVALON | FALCON | FANCH(B) | BRESNAN | TOTAL PENDING |
| Revenues | $ 51,769 | $ 212,205 | $98,931 | $137,291 | $ 500,196 |
| Operating expenses: | | | | | |
| Operating, general and administrative | 29,442 | 112,557 | 44,758 | 84,256 | 271,013 |
| Depreciation and amortization | 22,096 | 110,048 | 32,303 | 26,035 | 190,482 |
| Equity-based deferred compensation | -- | 44,600 | -- | -- | 44,600 |
| Management fees | -- | -- | 2,644 | -- | 2,644 |
| Total operating expenses | 51,538 | 267,205 | 79,705 | 110,291 | 508,739 |
| Income (loss) from operations | 231 | (55,000) | 19,226 | 27,000 | (8,543) |
| Interest expense | (23,246) | (64,852) | (666) | (31,941) | (120,705) |
| Interest income | 708 | -- | 6 | -- | 714 |
| Other income (expense) | -- | 9,970 | 89 | (607) | 9,452 |
| Income (loss) before income tax expense (benefit) | (22,307) | (109,882) | 18,655 | (5,548) | (119,082) |
| Income tax expense (benefit) | (1,362) | (2,459) | 118 | -- | (3,703) |
| Income (loss) before extraordinary item | $(20,945) | $(107,423) | $18,537 | $ (5,548) | $(115,379) |

| | SIX MONTHS ENDED JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | RECENT ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(C) | DISPOSITIONS(D) | ADJUSTMENTS | TOTAL |
| Revenues........................ | $333,404 | $ 7,881 | $(25,744) | $ -- | $ 315,541 |
| Operating expenses: | | | | | |
| Operating, general and administrative.............. | 188,997 | 4,147 | (12,566) | (20,059)(f) | 160,519 |
| Depreciation and amortization................ | 142,706 | 1,075 | (10,135) | 28,230(g) | 161,876 |
| Equity-based deferred compensation................ | -- | -- | -- | -- | -- |
| Corporate expense charges...... | -- | -- | -- | 20,059(f) | 20,059 |
| Management fees................ | 6,082 | 375 | (885) | -- | 5,572 |
| Total operating expenses....... | 337,785 | 5,597 | (23,586) | 28,230 | 348,026 |
| Income (loss) from operations... | (4,381) | 2,284 | (2,158) | (28,230) | (32,485) |
| Interest expense................ | (63,126) | (1,361) | 4 | (50,105)(i) | (114,588) |
| Interest income................. | 422 | 34 | -- | -- | 456 |
| Other income (expense).......... | (903) | 5 | (5) | (2)(j) | (905) |
| Income (loss) before income tax expense (benefit)............. | (67,988) | 962 | (2,159) | (78,337) | (147,522) |
| Income tax (benefit) expense.... | 546 | (114) | -- | (432)(k) | -- |
| Income (loss) before extraordinary item............ | $(68,534) | $ 1,076 | $ (2,159) | $(77,905) | $(147,522) |

| | SIX MONTHS ENDED JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | PENDING ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(C) | DISPOSITIONS(E) | ADJUSTMENTS | TOTAL |
| Revenues........................ | $ 500,196 | $29,378 | $(7,240) | $ -- | $ 522,334 |
| Operating expenses: | | | | | |
| Operating, general and administrative.............. | 271,013 | 16,317 | (3,565) | (16,595)(f) | 267,170 |
| Depreciation and amortization................ | 190,482 | 6,444 | (3,524) | 168,550(g) | 361,952 |
| Equity-based deferred compensation................ | 44,600 | -- | -- | (44,600)(h) | -- |
| Corporate expense charges...... | -- | -- | -- | 16,595(f) | 16,595 |
| Management fees................ | 2,644 | 757 | (233) | -- | 3,168 |
| Total operating expenses....... | 508,739 | 23,518 | (7,322) | 123,950 | 648,885 |
| Income (loss) from operations... | (8,543) | 5,860 | 82 | (123,950) | (126,551) |
| Interest expense................ | (120,705) | (567) | 27 | (134,437)(i) | (255,682) |
| Interest income................. | 714 | 74 | -- | -- | 788 |
| Other income (expense).......... | 9,452 | 48,844 | (2,555) | (55,756)(j) | (15) |
| Income (loss) before income tax expense (benefit)............. | (119,082) | 54,211 | (2,446) | (314,143) | (381,460) |
| Income tax (benefit) expense.... | (3,703) | 97 | -- | 3,606(k) | -- |
| Income (loss) before extraordinary item............ | $(115,379) | $54,114 | $(2,446) | $(317,749) | $(381,460) |

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(a) Renaissance represents the results of operations of Renaissance through April 30, 1999, the date of acquisition by Charter Communications Holding Company. American Cable represents the results of operations of American Cable through May 7, 1999, the date of acquisition by Charter Communications Holding Company. Rifkin includes the results of operations for the six months ended June 30, 1999 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, all under common ownership as follows (dollars in thousands):

| | RIFKIN ACQUISITION | RIFKIN CABLE INCOME | INDIANA CABLE | SOUTH FLORIDA | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| Revenues.......................... | $ 48,584 | $2,708 | $ 4,251 | $ 12,274 | $37,775 | $105,592 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Income (loss) from operations...... | (2,602) | 166 | (668) | (9,214) | 1,972 | (10,346) |
| Income (loss) before extraordinary item............................ | (13,197) | 69 | (1,072) | (10,449) | (8,710) | (33,359) |

(b) Fanch includes the results of operations for the six months ended June 30, 1999, of Fanch cable systems as follows (dollars in thousands):

| | FANCH CABLE SYSTEMS | OTHER | TOTAL |
|---|---|---|---|
| Revenues.................................................... | $90,357 | $8,574 | $98,931 |
| Income from operations...................................... | 17,825 | 1,401 | 19,226 |
| Income before extraordinary item............................ | 17,929 | 608 | 18,537 |

(c) Represents the historical results of operations for the period from January 1, 1999 through the date of purchase for acquisitions completed by Rifkin, Fanch and Bresnan.

These acquisitions were accounted for using the purchase method of accounting. The purchase price in millions and closing dates for significant acquisitions are as follows:

| | RIFKIN ACQUISITIONS | FANCH ACQUISITIONS | BRESNAN ACQUISITIONS |
|---|---|---|---|
| Purchase price | $165.0 | $42.2 | $40.0 |
| Closing date | February 1999 | February 1999 | January 1999 |
| Purchase price | $53.8 | $248.0 | $27.0 |
| Closing date | July 1999 | February 1999 | March 1999 |
| Purchase price | | $70.5 | |
| Closing date | | March 1999 | |
| Purchase price | | $50.0 | |
| Closing date | | June 1999 | |

(d) Represents the elimination of the operating results related to the cable systems transferred to InterMedia as part of a swap of cable systems in October 1999. The fair value of our systems transferred to InterMedia was $331.8 million. No material gain or loss is anticipated on the disposition as these systems were recently acquired and recorded at fair value at that time.

(e) Represents the elimination of the operating results related to the Indiana cable system that we are required to transfer to InterMedia as part of a swap and to the sale of several smaller cable systems. A definitive written agreement exists for the disposition of the Indiana system. The fair value of the Indiana system is $88.2 million. No material gain or loss is anticipated on the disposition as this system was recently acquired and recorded at fair value at that time.

(f) Reflects a reclassification of expenses representing corporate expenses that would have occurred at Charter Investment, Inc.

(g) Represents additional amortization of franchises as a result of our recent and pending acquisitions. A large portion of the purchase price was allocated to franchises ($12.4 billion) that are amortized over 15 years. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

| | FAIR VALUE | WEIGHTED AVERAGE USEFUL LIFE | DEPRECIATION/ AMORTIZATION |
|---|---|---|---|
| Franchises | $12,356.5 | 15 | $400.2 |
| Cable distribution systems | 1,729.1 | 8 | 108.3 |
| Land, buildings and improvements | 53.9 | 10 | 2.6 |
| Vehicles and equipment | 89.1 | 3 | 12.7 |
| Total depreciation and amortization | | | 523.8 |
| Less-historical depreciation and amortization | | | (327.0) |
| Adjustment | | | $196.8 |

(h) Reflects the elimination of an estimated $44.6 million of change in control payments under the terms of Falcon's equity-based compensation plans that are triggered by the acquisition of Falcon. These plans will be terminated by us and the employees will participate in our stock option plan. As such, these costs will not recur.

(i) Reflects additional interest expense on borrowings, which will be used to finance the acquisitions as follows (dollars in millions):

| | |
|---|---|
| $1.6 billion credit facilities (at composite current rate of 7.4%) | $ 59.3 |
| $114.4 million 10.0% senior discount notes ($82.6 million carrying value) -- Renaissance | 4.1 |
| $150.0 million 9.375% senior subordinated notes -- Avalon | 7.0 |
| $196.0 million 11.875% senior discount notes ($128.6 million carrying value) -- Avalon | 6.6 |
| $2.1 billion credit facilities of acquisitions (at composite current rate of 7.4%) | 76.0 |
| $1.7 billion anticipated financing (at 10.0%) | 85.7 |
| $705.7 million 10.04% bridge loan facility -- Falcon | 35.4 |
| $1.0 billion 8% liability to sellers -- Bresnan | 40.0 |
| $425.0 million 8% liability to sellers -- Falcon | 17.0 |

| | |
|---|---|
| $133.3 million 8% liability to sellers -- Rifkin | 5.3 |
| Interest expense prior to acquisition: | |
| $381.1 million of credit facilities for Renaissance acquisition (acquired April 30, 1999) at composite current rate of 7.4% | 9.4 |
| $240.0 million of credit facilities for American Cable acquisition (acquired May 7, 1999) at composite current rate of 7.4% | 5.9 |
| $500.0 million of credit facilities for Greater Media acquisition (acquired June 30, 1999) at composite current rate of 7.4% | 18.5 |
| Total pro forma interest expense | 370.2 |
| Less-historical interest expense from acquired companies | (185.7) |
| Adjustment | $ 184.5 |

The amounts shown above as liabilities to the Rifkin, Falcon and Bresnan sellers represent the possible obligations that we may owe to these sellers based on the possible violations of Section 5 of the Securities Act in connection with the issuance of equity interests to these sellers. The possible liability to the Falcon sellers would increase to $550 million if the Falcon sellers exercise their right to receive up to an additional $125 million of equity interests.

We have assumed we will fund certain pending acquisitions prior to closing with additional financing of $1.7 billion. An interest rate of 10% reflects the anticipated borrowing rate available to Charter Communications Holding Company. An increase in the interest rate of 0.125% on this assumed debt would result in an increase in interest expense of $1.1 million. Should the Avalon notes be put to us based on change of control provisions and should we become obligated to purchase Rifkin, Falcon and Bresnan sellers' equity interests, the estimated shortfall would increase to $3.6 billion and interest expense will increase by $14.9 million. Should we be required to pay InterMedia $0.1 billion for a system that we did not transfer in our swap with InterMedia because necessary regulatory approvals were still pending, interest expense would increase by $4.4 million. Principal approximates carrying value for all undiscounted debt.

(j) Represents the elimination of gain (loss) on sale of cable television systems whose results of operations have been eliminated in (d) above.

(k) Reflects the elimination of income tax expense (benefit) as a result of expected recurring future losses. The losses will not be tax benefited and no net deferred tax assets will be recorded.

NOTE C: In March 1999, we extinguished substantially all of our long-term debt, excluding borrowings of our previous credit facilities, and refinanced all previous credit facilities. See "Capitalization". The refinancing adjustment of lower interest expense consists of the following (dollars in millions):

| DESCRIPTION | INTEREST EXPENSE |
|---|---|
| $600 million 8.25% senior notes | $ 24.8 |
| $1.5 billion 8.625% senior notes | 64.7 |
| $1.475 billion ($932 million carrying value) 9.92% senior discount notes | 45.4 |
| Credit facilities ($652 million at composite current rate of 7.4%) | 24.9 |
| Amortization of debt issuance costs | 7.8 |
| Commitment fee on unused portion of our credit facilities ($1.6 billion at 0.375%) | 3.0 |
| Total pro forma interest expense | 170.6 |
| Less -- historical interest expense (net of Renaissance and American Cable interest expense consolidated in Charter Communications Holding Company) | (174.9) |
| Adjustment | $ (4.3) |

An increase in the interest rate of 0.125% on all variable rate debt would result in an increase in interest expense of $6.1 million.

NOTE D: Represents the allocation of 66% of the net loss applicable to common members of Charter Communications Holding Company to the minority interest.

NOTE E: Charter Investment, Inc. has provided corporate management and consulting services to Charter Operating. In connection with the offering, the existing management agreement will be assigned to Charter Communications, Inc. and Charter Communications, Inc. will enter into a new management agreement with Charter Communications Holding Company. See "Certain Relationships and Related Transactions".

NOTE F: Basic loss per share assumes none of the membership units of Charter Communications Holding Company are exchanged for Charter Communications, Inc. common stock and none of the outstanding options to purchase membership units of Charter Communications Holding Company that will be automatically exchanged for Charter Communications, Inc. common stock are exercised. Basic loss per share equals the loss applicable to common equity holders divided by weighted average shares outstanding. If all of the membership units were exchanged or options exercised, the effects would be antidilutive.

NOTE G: EBITDA represents earnings (loss) before interest, income taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator of a cable television 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 H: EBITDA margin represents EBITDA as a percentage of revenues.

NOTE I: Adjusted EBITDA means EBITDA before stock option compensation expense, corporate expenses, management fees and other income (expense). Adjusted EBITDA is presented because it is a widely accepted financial 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 J: 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.

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

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

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

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

NOTE O: 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 June 30, 1999.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)

| | CHARTER COMMUNICATIONS HOLDING COMPANY (NOTE A) | MARCUS (NOTE B) | RECENT ACQUISITIONS (NOTE C) | SUBTOTAL |
|---|---|---|---|---|
| Revenues | $ 601,953 | $ 457,929 | $ 608,953 | $1,668,835 |
| Operating expenses: | | | | |
| Operating, general and administrative | 304,555 | 236,595 | 307,447 | 848,597 |
| Depreciation and amortization | 370,406 | 258,348 | 335,799 | 964,553 |
| Stock option compensation expense | 845 | -- | -- | 845 |
| Corporate expense charges (Note F) | 16,493 | 17,042 | 10,991 | 44,526 |
| Management fees | -- | -- | 14,668 | 14,668 |
| Total operating expenses | 692,299 | 511,985 | 668,905 | 1,873,189 |
| Loss from operations | (90,346) | (54,056) | (59,952) | (204,354) |
| Interest expense | (204,770) | (140,651) | (271,450) | (616,871) |
| Other income (expense) | 518 | -- | (5,825) | (5,307) |
| Income (loss) before minority interest | (294,598) | (194,707) | (337,227) | (826,532) |
| Minority interest | -- | -- | -- | -- |
| Loss before extraordinary item | $ (294,598) | $ (194,707) | $(337,227) | $ (826,532) |
| Basic loss per share (Note G) | | | | |
| Diluted loss per share (Note G) | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | | | | |
| Diluted | | | | |
| OTHER FINANCIAL DATA: | | | | |
| EBITDA (Note H) | $ 280,578 | $ 204,292 | $ 270,022 | $ 754,892 |
| EBITDA margin (Note I) | 46.6% | 44.6% | 44.3% | 45.2% |
| Adjusted EBITDA (Note J) | $ 297,398 | $ 221,334 | $ 301.506 | $ 820,238 |
| Cash flows from operating activities | 141,602 | 135,466 | 194,041 | 471,109 |
| Cash flows used in investing activities | (206,607) | (217,729) | (233,161) | (657,497) |
| Cash flows from (used in) financing activities | 210,306 | 109,924 | 23,252 | 343,482 |
| Cash interest expense | | | | |
| Capital expenditures | 213,353 | 224,723 | 96,025 | 534,101 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | | | |
| Homes passed (Note K) | 2,149,000 | 1,743,000 | 1,922,000 | 5,814,000 |
| Basic customers (Note L) | 1,255,000 | 1,061,000 | 1,325,000 | 3,641,000 |
| Basic penetration (Note M) | 58.4% | 60.9% | 68.9% | 62.6% |
| Premium units (Note N) | 845,000 | 411,000 | 777,000 | 2,033,000 |
| Premium penetration (Note O) | 67.3% | 38.7% | 58.6% | 55.8% |
| Average monthly revenue per basic customer (Note P) | | | | |

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)

| | PENDING ACQUISITIONS (NOTE C) | REFINANCING ADJUSTMENTS (NOTE D) | OFFERING ADJUSTMENTS (NOTE E) | TOTAL |
|---|---|---|---|---|
| Revenues | $1,022,669 | $ -- | $ -- | $ 2,691,504 |
| Operating expenses: | | | | |
| Operating, general and administrative | 511,118 | -- | -- | 1,359,715 |
| Depreciation and amortization | 743,845 | -- | -- | 1,708,398 |
| Stock option compensation expense | -- | -- | -- | 845 |
| Corporate expense charges (Note F) | 37,090 | -- | -- | 81,616 |
| Management fees | 6,135 | -- | -- | 20,803 |
| Total operating expenses | 1,298,188 | -- | -- | 3,171,377 |
| Loss from operations | (275,519) | -- | -- | (479,873) |
| Interest expense | (457,586) | 7,000 | -- | (1,067,457) |
| Other income (expense) | (5,637) | -- | -- | (10,944) |
| Income (loss) before minority interest | (738,742) | 7,000 | -- | (1,558,274) |
| Minority interest | -- | | 1,022,903 | 1,022,903 |
| Loss before extraordinary item | $ (738,742) | $7,000 | $1,022,903 | $ (535,371) |
| Basic loss per share (Note G) | | | | $ (3.15) |
| Diluted loss per share (Note G) | | | | $ (3.15) |
| Weighted average shares outstanding: | | | | |

| | | |
|---|---|---|
| Basic | | 170,050,000 |
| Diluted | | 170,050,000 |
| OTHER FINANCIAL DATA: | | |
| EBITDA (Note H) | 462,689 | $ 1,217,581 |
| EBITDA margin (Note I) | 45.2% | 45.2% |
| Adjusted EBITDA (Note J) | $ 511,551 | $ 1,331,789 |
| Cash flows from operating activities | 254,086 | 725,195 |
| Cash flows used in investing activities | (274,405) | (931,902) |
| Cash flows from (used in) financing activities | 115,779 | 459,261 |
| Cash interest expense | | 772,124 |
| Capital expenditures | 219,045 | 753,146 |
| OPERATING DATA (AT END OF PERIOD, EXCEPT FOR AVERAGES): | | |
| Homes passed (Note K) | 3,787,000 | 9,601,000 |
| Basic customers (Note L) | 2,453,000 | 6,094,000 |
| Basic penetration (Note M) | 64.8% | 63.5% |
| Premium units (Note N) | 862,000 | 2,895,000 |
| Premium penetration (Note O) | 35.1% | 47.5% |
| Average monthly revenue per basic customer (Note P) | | $ 36.81 |

## NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

NOTE A: Pro forma operating results for Charter Communications Holding Company, including the acquisition of us on December 23, 1998 by Mr. Allen and the acquisition of Sonic Communications, Inc., consist of the following (dollars in thousands):

| | 1/1/98 THROUGH 12/23/98 | | | 12/24/98 THROUGH 12/31/98 | 1/1/98 THROUGH 5/20/98 | | |
|---|---|---|---|---|---|---|---|
| | CCA GROUP | CHARTERCOMM HOLDINGS | CHARTER COMMUNICATIONS HOLDING COMPANY | | SONIC | ELIMINATIONS | SUBTOTAL |
| Revenues | $ 324,432 | $196,801 | $ 49,731 | $13,713 | $17,276 | $ -- | $ 601,953 |
| Operating expenses: | | | | | | | |
| Operating, general and administrative | 164,145 | 98,331 | 25,952 | 7,134 | 8,993 | -- | 304,555 |
| Depreciation and amortization | 136,689 | 86,741 | 16,864 | 8,318 | 2,279 | -- | 250,891 |
| Stock option compensation expense | -- | -- | -- | 845 | -- | -- | 845 |
| Management fees/corporate expense charges | 17,392 | 14,780 | 6,176 | 473 | -- | -- | 38,821 |
| Total operating expenses | 318,226 | 199,852 | 48,992 | 16,770 | 11,272 | -- | 595,112 |
| Income (loss) from operations | 6,206 | (3,051) | 739 | (3,057) | 6,004 | -- | 6,841 |
| Interest expense | (113,824) | (66,121) | (17,277) | (2,353) | (2,624) | 1,900(c) | (200,299) |
| Other income (expense) | 4,668 | (1,684) | (684) | 133 | (15) | (1,900)(c) | 518 |
| Income (loss) before income taxes | (102,950) | (70,856) | (17,222) | (5,277) | 3,365 | -- | (192,940) |
| Provision for income taxes | -- | -- | -- | -- | 1,346 | -- | 1,346 |
| Income (loss) before extraordinary item | $(102,950) | $(70,856) | $(17,222) | $(5,277) | $ 2,019 | $ -- | $(194,286) |

| | PRO FORMA | |
|---|---|---|
| | ADJUSTMENTS | TOTAL |
| Revenues | $ -- | $ 601,953 |
| Operating expenses: | | |
| Operating, general and administrative | -- | 304,555 |
| Depreciation and amortization | 119,515(a) | 370,406 |
| Stock option compensation expense | -- | 845 |
| Management fees/corporate expense charges | (22,328)(b) | 16,493 |
| Total operating expenses | 97,187 | 692,299 |
| Income (loss) from operations | (97,187) | (90,346) |
| Interest expense | (4,471)(d) | (204,770) |
| Other income (expense) | -- | 518 |
| Income (loss) before income taxes | (101,658) | (294,598) |
| Provision for income taxes | (1,346)(e) | -- |
| Income (loss) before extraordinary item | $(100,312) | $(294,598) |

- - ------------------------

(a) Represents additional amortization of franchises as a result of the acquisition of us by Mr. Allen. A large portion of the purchase price was allocated to franchises ($3.6 billion) that are amortized over 15 years. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

| | FAIR VALUE | WEIGHTED AVERAGE USEFUL LIFE (IN YEARS) | DEPRECIATION/ AMORTIZATION |
|---|---|---|---|
| Franchises | $3,600.0 | 15 | $240.0 |
| Cable distribution systems | 1,439.2 | 12 | 115.3 |
| Land, buildings and improvements | 41.3 | 11 | 3.5 |
| Vehicles and equipment | 61.2 | 5 | 11.6 |
| Total depreciation and amortization | | | 370.4 |
| Less-historical depreciation and amortization | | | (250.9) |
| Adjustment | | | $119.5 |

(b) Reflects the reduction in corporate expense charges of approximately $8.2 million to reflect the actual costs incurred. Management fees charged to CCA Group and CharterComm Holdings, companies not controlled by Charter Investment, Inc. at that time, exceeded the allocated costs incurred by Charter Investment, Inc. on behalf of those companies by $8.2 million. Also reflects the elimination of approximately $14.4 million of change of control payments under the terms of then-existing equity appreciation rights plans. Such payments were triggered by the acquisition of us by Mr. Allen. Such payments were made by Charter Investment, Inc. and were not subject to reimbursement by us, but were allocated to us for financial reporting purposes. The equity appreciation rights plans were terminated in connection with the acquisition of us by Mr. Allen, and these costs will not recur.

(c) Represents the elimination of intercompany interest on a note payable from Charter Communications Holding Company to CCA Group.

(d) Reflects additional interest expense on $228.4 million of borrowings under our previous credit facilities used to finance the Sonic acquisition by us using a composite current rate of 7.4% as follows (dollars in millions):

| | |
|---|---|
| $228.4 million under previous credit facilities | $ 7.1 |
| Less-historical Sonic interest expense | (2.6) |
| Adjustment | $ 4.5 |

(e) Reflects the elimination of provision for income taxes, as a result of expected recurring future losses. The losses will not be tax benefited and no net deferred tax assets will be recorded.

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

| | YEAR ENDED DECEMBER 31, 1998 | PRO FORMA ACQUISITIONS(a) | DISPOSITIONS(b) | ADJUSTMENTS | TOTAL |
|---|---|---|---|---|---|
| Revenues | $ 499,820 | $2,620 | $ (44,511) | $ -- | $ 457,929 |
| Operating expenses: | | | | | |
| Operating, general and administrative | 271,638 | 1,225 | (20,971) | (15,297)(c) | 236,595 |
| Depreciation and amortization | 215,789 | -- | -- | 42,559(d) | 258,348 |
| Corporate expense charges | -- | -- | -- | 17,042(c) | 17,042 |
| Management fees | 3,341 | -- | -- | (3,341)(c) | -- |
| Transaction and severance costs | 135,379 | -- | -- | (135,379)(e) | -- |
| Total operating expenses | 626,147 | 1,225 | (20,971) | (94,416) | 511,985 |
| Income (loss) from operations | (126,327) | 1,395 | (23,540) | 94,416 | (54,056) |
| Interest expense | (159,985) | -- | -- | 19,334(d) | (140,651) |
| Other income (expense) | 201,278 | -- | (201,278) | -- | -- |
| Income (loss) before extraordinary item | $ (85,034) | $1,395 | $(224,818) | $ 113,750 | $(194,707) |

- - ------------------------

(a) Represents the results of operations of acquired cable systems prior to their acquisition in 1998 by Marcus Holdings.

(b) Represents the elimination of the operating results and corresponding gain on sale of cable systems sold by Marcus Holdings during 1998.

(c) Represents a reclassification to reflect the expenses totaling $15.3 million from operating, general and administrative to corporate expenses. Also reflects the elimination of management fees and the addition of corporate expense charges of $1.7 million for actual costs incurred by Charter Investment, Inc. on behalf of Marcus Holdings. Management fees charged to Marcus Holdings exceeded the costs incurred by Charter Investment, Inc. by $1.3 million.

(d) As a result of the acquisition of Marcus Holdings by Mr. Allen, a large portion of the purchase price was recorded as franchises ($2.5 billion) that are amortized over 15 years. This resulted in additional amortization for year ended December 31, 1998. The adjustment to depreciation and amortization expense consists of the following (dollars in millions):

| | FAIR VALUE | WEIGHTED AVERAGE USEFUL LIFE (IN YEARS) | DEPRECIATION/ AMORTIZATION |
|---|---|---|---|
| Franchises | $2,500.0 | 15 | $ 167.2 |
| Cable distribution systems | 720.0 | 8 | 84.5 |
| Land, buildings and improvements | 28.3 | 10 | 2.7 |
| Vehicles and equipment | 13.6 | 3 | 4.0 |
| Total depreciation and amortization | | | 258.4 |
| Less-historical depreciation and amortization | | | (215.8) |
| Adjustment | | | $ 42.6 |

Additionally, the carrying value of outstanding debt was recorded at estimated fair value, resulting in a debt premium that is to be amortized as an offset to interest expense over the term of the debt. This resulted in a reduction in interest expense for the year ended December 31, 1998.

(e) As a result of the acquisition of Marcus Holdings by Mr. Allen, Marcus Holdings recorded transaction costs of approximately $135.4 million. These costs were primarily comprised of approximately $90.2 million in compensation paid to employees of Marcus Holdings in settlement of specially designated Class B membership units approximately $24.0 million of transaction fees paid to certain equity partners for investment banking services and $5.2 million of transaction fees paid primarily for professional fees. In addition, Marcus Holdings recorded costs related to employee and officer stay-bonus and severance arrangements of approximately $16.0 million.

NOTE C: Pro forma operating results for our recently completed and pending acquisitions consist of the following (dollars in thousands):

| | RECENT ACQUISITIONS -- HISTORICAL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | YEAR ENDED DECEMBER 31, 1998 | | | | | | | |
| | RENAISSANCE | AMERICAN CABLE | GREATER MEDIA SYSTEMS | HELICON | RIFKIN(a) | INTERMEDIA SYSTEMS | OTHER | TOTAL RECENT |
| Revenues | $ 41,524 | $15,685 | $78,635 | $ 75,577 | $124,382 | $176,062 | $15,812 | $527,677 |
| Operating expenses: | | | | | | | | |
| Operating, general and administrative | 21,037 | 7,441 | 48,852 | 40,179 | 63,815 | 86,753 | 7,821 | 275,898 |
| Depreciation and amortization | 19,107 | 6,784 | 8,612 | 24,290 | 47,657 | 85,982 | 4,732 | 197,164 |
| Corporate expense charges | -- | -- | -- | -- | -- | -- | -- | -- |
| Management fees | -- | 471 | -- | 3,496 | 4,106 | 3,147 | -- | 11,220 |
| Total operating expenses | 40,144 | 14,696 | 57,464 | 67,965 | 115,578 | 175,882 | 12,553 | 484,282 |
| Income from operations | 1,380 | 989 | 21,171 | 7,612 | 8,804 | 180 | 3,259 | 43,395 |
| Interest expense | (14,358) | (4,501) | (535) | (27,634) | (30,482) | (25,449) | (4,023) | (106,982) |
| Interest income | 158 | 122 | -- | 93 | -- | 341 | -- | 714 |
| Other income (expense) | -- | -- | (493) | -- | 36,279 | 23,030 | 5 | 58,821 |
| Income (loss) before income tax expense | (12,820) | (3,390) | 20,143 | (19,929) | 14,601 | (1,898) | (759) | (4,052) |
| Income tax expense | 135 | -- | 7,956 | -- | (4,178) | 1,623 | | 5,536 |
| Income (loss) before extraordinary item | $(12,955) | $(3,390) | $12,187 | $(19,929) | $ 18,779 | $ (3,521) | $ (759) | $ (9,588) |

| | YEAR ENDED DECEMBER 31, 1998 | | | | |
|---|---|---|---|---|---|
| | PENDING ACQUISITIONS -- HISTORICAL | | | | |
| | AVALON | FALCON | FANCH(b) | BRESNAN | TOTAL PENDING |
| Revenues | $ 18,187 | $ 307,558 | $141,104 | $261,964 | $ 728,813 |
| Operating expenses: | | | | | |
| Operating, general and administrative | 10,067 | 161,233 | 62,977 | 150,750 | 385,027 |
| Depreciation and amortization | 8,183 | 152,585 | 45,886 | 54,308 | 260,962 |
| Corporate expense charges | 655 | -- | 105 | -- | 760 |
| Management fees | -- | -- | 3,998 | -- | 3,998 |
| Total operating expenses | 18,905 | 313,818 | 112,966 | 205,058 | 650,747 |
| Income (loss) from operations | (718) | (6,260) | 28,138 | 56,906 | 78,066 |
| Interest expense | (8,223) | (102,591) | (1,873) | (18,296) | (130,983) |
| Interest income | 173 | -- | 17 | -- | 190 |
| Other income (expense) | (463) | (3,093) | (6,628) | 26,754 | 16,570 |
| Income (loss) before income tax expense (benefit) | (9,231) | (111,944) | 19,654 | 65,364 | (36,157) |
| Income tax expense (benefit) | 186 | 1,897 | 286 | -- | 2,369 |
| Income (loss) before extraordinary item | $ (9,417) | $(113,841) | $ 19,368 | $ 65,364 | $ (38,526) |

| | YEAR ENDED DECEMBER 31, 1998 | | | | |
|---|---|---|---|---|---|
| | RECENT ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(c) | DISPOSITIONS(d) | ADJUSTMENTS | TOTAL RECENT |
| Revenues.................... | $ 527,677 | $127,429 | $(46,153) | $ -- | $ 608,953 |
| Operating expenses: | | | | | |
| Operating, general and administrative........... | 275,898 | 66,641 | (24,101) | (10,991)(f) | 307,447 |
| Depreciation and amortization............. | 197,164 | 31,262 | (29,773) | 137,146(g) | 335,799 |
| Corporate expense charges.................. | -- | -- | -- | 10,991(f) | 10,991 |
| Management fees............ | 11,220 | 4,042 | (594) | -- | 14,668 |
| Total operating expenses............... | 484,282 | 101,945 | (54,468) | 137,146 | 668,905 |
| Income (loss) from operations................. | 43,395 | 25,484 | 8,315 | (137,146) | (59,952) |
| Interest expense............ | (106,982) | (30,354) | 16,923 | (151,037)(h) | (271,450) |
| Interest income............. | 714 | 323 | -- | -- | 1,037 |
| Other income (expense)...... | 58,821 | (178) | 235 | (65,740)(i) | (6,862) |
| Income (loss) before income tax expense (benefit)...... | (4,052) | (4,725) | 25,473 | (353,923) | (337,227) |
| Income tax expense (benefit).................. | 5,536 | 2,431 | 10 | (7,977)(j) | -- |
| Income (loss) before extraordinary item......... | $ (9,588) | $ (7,156) | $ 25,463 | $(345,946) | $(337,227) |

| | YEAR ENDED DECEMBER 31, 1998 | | | | |
|---|---|---|---|---|---|
| | PENDING ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(c) | DISPOSITIONS(e) | ADJUSTMENTS | TOTAL PENDING |
| Revenues.................... | $ 728,813 | $319,072 | $ (25,216) | $ -- | $1,022,669 |
| Operating expenses: | | | | | |
| Operating, general and administrative........... | 385,027 | 160,438 | (12,979) | (21,368)(f) | 511,118 |
| Depreciation and amortization............. | 260,962 | 88,436 | (9,355) | 403,802(g) | 743,845 |
| Corporate expense charges.................. | 760 | 14,962 | -- | 21,368(f) | 37,090 |
| Management fees............ | 3,998 | 2,175 | (38) | -- | 6,135 |
| Total operating expenses............... | 650,747 | 266,011 | (22,372) | 403,802 | 1,298,188 |
| Income (loss) from operations................. | 78,066 | 53,061 | (2,844) | (403,802) | (275,519) |
| Interest expense............ | (130,983) | (23,667) | 742 | (303,678)(h) | (457,586) |
| Interest income............. | 190 | 801 | -- | -- | 991 |
| Other income (expense)...... | 16,570 | 4,446 | (1,080) | (26,564)(i) | (6,628) |
| Income (loss) before income tax expense (benefit)...... | (36,157) | 34,641 | (3,182) | (734,044) | (738,742) |
| Income tax expense (benefit).................. | 2,369 | (1,762) | -- | (607)(j) | -- |
| Income (loss) before extraordinary item......... | $ (38,526) | $ 36,403 | $ (3,182) | $(733,437) | $ (738,742) |

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(a) Rifkin includes the results of operations of Rifkin Acquisition Partners, L.L.L.P., as follows (dollars in thousands):

| | RIFKIN ACQUISITION | OTHER | TOTAL |
|---|---|---|---|
| Revenues............................................. | $89,921 | $34,461 | $124,382 |
| Income from operations............................... | 1,040 | 7,764 | 8,804 |
| Income before extraordinary item..................... | 24,419 | (5,640) | 18,779 |

(b) Fanch includes the results of operations of Fanch cable systems as follows (dollars in thousands):

| | FANCH CABLE SYSTEMS | OTHERS | TOTAL |
|---|---|---|---|
| Revenues | $124,555 | $16,549 | $141,104 |
| Income from operations | 25,241 | 2,897 | 28,138 |
| Income before extraordinary item | 18,814 | 554 | 19,368 |

(c) Represents the historical results of operations for the period from January 1, 1998 through the date of purchase for acquisitions completed by Renaissance, the InterMedia systems, Helicon, Rifkin, Avalon, Falcon, Fanch and Bresnan and for the period from January 1, 1998 through December 31, 1998 for acquisitions to be completed in 1999.

These acquisitions were accounted for using the purchase method of accounting. Purchase prices and the closing dates or anticipated closing dates for significant acquisitions are as follows (dollars in millions):

| | RENAISSANCE | INTERMEDIA | HELICON | RIFKIN | AVALON |
|---|---|---|---|---|---|
| Purchase price | $309.5 | $29.1 | $26.1 | $165.0 | $30.5 |
| Closing date | April 1998 | December 1998 | December 1998 | February 1999 | July 1998 |
| Purchase price | | | | $53.8 | $431.6 |
| Closing date | | | | July 1999 | November 1998 |
| Purchase price | | | | | |
| Closing date | | | | | |
| Purchase price | | | | | |
| Closing date | | | | | |

| | FALCON | FANCH | BRESNAN |
|---|---|---|---|
| Purchase price | $86.2 | $42.2 | $17.0 |
| Closing date | July 1998 | February 1999 | February 1998 |
| Purchase price | $158.6 | $248.0 | $11.8 |
| Closing date | September 1998 | February 1999 | October 1998 |
| Purchase price | $513.3 | $70.5 | $40.0 |
| Closing date | September 1998 | March 1999 | January 1999 |
| Purchase price | | $50.0 | $27.0 |
| Closing date | | June 1999 | March 1999 |

The InterMedia acquisition above was part of a "swap".

(d) Represents the elimination of the operating results primarily related to the cable systems transferred to InterMedia as part of a swap of cable systems in October 1999. The fair value of the systems transferred to InterMedia was $331.8 million. No material gain or loss is anticipated on the disposition as these systems were recently acquired and recorded at fair value at that time.

(e) Represents the elimination of the operating results related to the Indiana cable system that we are required to transfer to InterMedia as part of a swap and to the sale of several smaller cable systems. A definitive written agreement exists for the disposition of the Indiana system. The fair value of the system is $88.2 million. No material gain or loss is anticipated on the disposition as this system was recently acquired and recorded at fair value at that time.

(f) Reflects a reclassification of expenses representing corporate expenses that would have occurred at Charter Investment, Inc.

(g) Represents additional amortization of franchises as a result of our recently completed and pending acquisitions. A large portion of the purchase price was allocated to franchises ($12.4 billion) that are amortized over 15 years. The adjustments to depreciation and amortization expense consists of the following (dollars in millions):

| | FAIR VALUE | WEIGHTED AVERAGE USEFUL LIFE | DEPRECIATION/ AMORTIZATION |
|---|---|---|---|
| Franchises | $12,356.5 | 15 | $ 823.8 |
| Cable distribution systems | 1,729.1 | 8 | 223.7 |
| Land, building and improvements | 53.9 | 10 | 5.2 |
| Vehicles and equipment | 89.1 | 3 | 26.9 |
| Total depreciation and amortization | | | 1,079.6 |
| Less-historical depreciation and amortization | | | (538.7) |
| Adjustment | | | $ 540.9 |

(h) Reflects additional interest expense on borrowings which will be used to finance the acquisitions as follows (dollars in millions):

| | |
|---|---|
| $1.2 billion of credit facilities at composite current rate of 7.4% drawn down in March 1999 included in Charter Communications Holding Company's historical cash | $ 85.9 |
| $1.6 billion of credit facilities at composite current rate of 7.4% | 118.4 |
| $114.4 million 10% senior discount notes ($78.1 million carrying value) -- Renaissance | 8.0 |
| $150.0 million 9.375% senior subordinated notes -- Avalon | 14.1 |
| $196.0 million 11.875% senior discount notes ($123.5 million carrying value) -- Avalon | 13.6 |
| $2.1 billion credit facilities of acquisitions (at composite current rate of 7.4%) | 121.9 |
| $1.7 billion anticipated financing (at 10%) | 171.5 |
| $705.7 million 10.04% bridge loan facility -- Falcon | 70.9 |
| $1.0 billion 8% liability to sellers -- Bresnan | 80.0 |
| $425.0 million 8% liability to sellers -- Falcon | 34.0 |
| $133.3 million 8% liability to sellers -- Rifkin | 10.7 |
| Total pro forma interest expenses | 729.0 |
| Less-historical interest expense from acquired companies | (274.3) |
| Adjustment | $ 454.7 |

The liabilities to the Bresnan, Falcon and Rifkin sellers represents the potential obligations to repurchase equity interests issued to the sellers arising from possible violations of the Securities Act in connection with the issuance of equity interests to these sellers. The possible liability to the Falcon sellers would increase to $550 million if the Falcon sellers exercise their right to receive up to an additional $125 million of equity interests.

We have assumed we will fund certain pending acquisitions prior to closing with additional financing of $1.7 billion. An interest rate of 10% reflects the anticipated borrowing rate available to Charter Communications Holding Company. An increase in the interest rate of 0.125% on this assumed debt would result in an increase in interest expense of $2.1 million. Should the Avalon notes be put to us based on change of control provisions and should we become obligated to purchase Rifkin, Falcon and Bresnan seller's equity interests, the estimated shortfall would increase to $3.6 billion and interest expense would increase by an additional $29.7 million. Should we be required to pay InterMedia $0.1 billion for a system that did not transfer in our swap with InterMedia because necessary regulatory approvals were still pending, interest expense would increase by $8.8 million. Principal approximates carrying value for all undiscounted debt.

(i) Represents the elimination of gain (loss) on the sale of cable television systems whose results of operations have been eliminated in (c) above.

(j) Reflects the elimination of income tax expense (benefit) as a result of expected recurring future losses. The losses will not be tax benefited and no net deferred tax assets will be recorded.

NOTE D: In March 1999, we extinguished substantially all of our long-term debt, excluding borrowings of our previous credit facilities, and refinanced all previous credit facilities. In addition, we incurred and plan to incur additional debt in connection with our pending and recently completed acquisitions. See "Capitalization". The refinancing adjustment to interest expense consists of the following (dollars in millions):

| DESCRIPTION | INTEREST EXPENSE |
|---|---|
| $600 million 8.25% senior notes | $ 49.6 |
| $1.5 billion 8.625% senior notes | 129.4 |
| $1.475 billion ($906 carrying value) 9.92% senior discount notes | 90.0 |
| Credit facilities ($652 at composite current rate of 7.4%) | 48.2 |
| Amortization of debt issuance costs | 16.0 |
| Commitment fee on unused portion of credit facilities ($1.4 billion at 0.375%) | 5.2 |
| Total pro forma interest expense | 338.4 |
| Less -- interest expense (including Marcus Cable) | (345.4) |
| Adjustment | $ (7.0) |

An increase in the interest rate on all variable rate debt of 0.125% would result in an increase in interest expense of $12.1 million.

NOTE E: Represents the allocation of 66% of the net loss of Charter Communications Holding Company to the minority interest.

NOTE F: Charter Investment, Inc. provided corporate management and consulting services to Charter Operating in 1998 and to Marcus Holdings beginning in October 1998. See "Certain Relationships and Related Transactions".

NOTE G: Basic loss per share assumes none of the membership units of Charter Communications Holding Company are exchanged for Charter Communications, Inc. common stock and none of the outstanding options to purchase membership units of Charter Communications Holding Company that are automatically exchanged for Charter Communications, Inc. common stock are exercised. Basic loss per share equals the loss applicable to common equity holders divided by weighted average shares outstanding. If all of the membership units were exchanged or options exercised, the effects would be antidilutive.

NOTE H: EBITDA represents earnings (loss) before interest, income taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator of a cable television 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 I: EBITDA margin represents EBITDA as a percentage of revenues.

NOTE J: Adjusted EBITDA means EBITDA before stock option compensation expense, corporate expenses, management fees and other income (expense). Adjusted EBITDA is presented because it is a widely accepted financial 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 K: 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.

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

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

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

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

NOTE P: 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 December 31, 1998.

UNAUDITED PRO FORMA BALANCE SHEET
AS OF JUNE 30, 1999

| | CHARTER COMMUNICATIONS HOLDING COMPANY | RECENT ACQUISITIONS (NOTE A) | SUBTOTAL | PENDING ACQUISITIONS (NOTE A) | OFFERING ADJUSTMENTS (NOTE B) | PRO FORMA TOTAL |
|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS) | | | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents... | $ 109,626 | $ 9,289 | $ 118,915 | $ 15,756 | $ -- | $ 134,671 |
| Accounts receivable, net.... | 32,487 | 22,520 | 55,007 | 36,660 | -- | 91,667 |
| Prepaid expenses and other..................... | 10,181 | 5,507 | 15,688 | 36,828 | -- | 52,516 |
| Total current assets... | 152,294 | 37,316 | 189,610 | 89,244 | -- | 278,854 |
| Property, plant and equipment................. | 1,764,499 | 580,311 | 2,344,810 | 1,198,047 | -- | 3,542,857 |
| Franchises.................. | 6,591,972 | 2,614,034 | 9,206,006 | 8,749,216 | -- | 17,955,222 |
| Other assets................ | 178,709 | (381) | 178,328 | (41,754) | -- | 136,574 |
| Total assets........... | $8,687,474 | $3,231,280 | $11,918,754 | $ 9,994,753 | $ -- | $21,913,507 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Short-term debt............ | $ -- | $ 133,312 | $ 133,312 | $ 4,124,579 | $ -- | $ 4,257,891 |
| Accounts payable and accrued expenses.................. | 273,987 | 79,072 | 353,059 | 229,058 | -- | 582,117 |
| Current deferred revenue.... | -- | 2,356 | 2,356 | -- | -- | 2,356 |
| Payables to manager of cable television systems........ | 21,745 | -- | 21,745 | -- | -- | 21,745 |
| Pending acquisitions payable................... | -- | -- | -- | 2,898,500 | (2,898,500) | -- |
| Total current liabilities.......... | 295,732 | 214,740 | 510,472 | 7,252,137 | (2,898,500) | 4,864,109 |
| Long-term debt............. | 5,134,310 | 3,016,540 | 8,150,850 | 667,616 | -- | 8,818,466 |
| Other long-term liabilities............... | 53,310 | -- | 53,310 | -- | -- | 53,310 |
| Minority interest........... | -- | -- | -- | -- | 5,368,064 | 5,368,064 |
| Members' equity............. | 3,204,122 | -- | 3,204,122 | 2,075,000 | (5,279,122) | -- |
| Common stock................ | -- | -- | -- | -- | 170 | 170 |
| Additional paid-in capital................... | -- | -- | -- | -- | 2,809,388 | 2,809,388 |
| Total stockholders' equity............... | -- | -- | -- | -- | 2,809,558 | 2,809,558 |
| Total liabilities and stockholders' equity............... | $8,687,474 | $3,231,280 | $11,918,754 | $ 9,994,753 | $ -- | $21,913,507 |

NOTES TO THE UNAUDITED PRO FORMA BALANCE SHEET

NOTE A: Pro forma balance sheet for our recently completed acquisitions and pending acquisitions consists of the following (dollars in thousands):

| | AS OF JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | RECENT ACQUISITIONS -- HISTORICAL | | | | |
| | HELICON | RIFKIN | INTERMEDIA SYSTEMS | OTHER | TOTAL RECENT |
| Cash and cash equivalents | $ 6,894 | $ 7,156 | -- | $ 73 | $ 14,123 |
| Accounts receivable, net | 1,859 | 13,118 | 16,009 | 1,619 | 32,605 |
| Receivable from related party | 6 | -- | 5,250 | -- | 5,256 |
| Prepaid expenses and other | 2,172 | 2,271 | 719 | 155 | 5,317 |
| Total current assets | 10,931 | 22,545 | 21,978 | 1,847 | 57,301 |
| Property, plant and equipment | 88,252 | 297,318 | 231,382 | 20,610 | 637,562 |
| Franchises | 5,610 | 437,479 | 226,040 | 54,956 | 724,085 |
| Deferred income taxes | -- | -- | 15,288 | -- | 15,288 |
| Other assets | 87,165 | -- | 5,535 | 126 | 92,826 |
| Total assets | $ 191,958 | $757,342 | $500,223 | $77,539 | $1,527,062 |
| Accounts payable and accrued expenses | $ 14,288 | $ 46,777 | $ 19,874 | $ 1,699 | $ 82,638 |
| Current deferred revenue | -- | -- | 11,778 | 1,076 | 12,854 |
| Note payable to related party | -- | -- | 4,607 | -- | 4,607 |
| Total current liabilities | 14,288 | 46,777 | 36,259 | 2,775 | 100,099 |
| Deferred income taxes | -- | 6,703 | -- | -- | 6,703 |
| Long-term debt | 299,076 | 546,575 | -- | 40,687 | 886,338 |
| Note payable to related party, including accrued interest | 5,000 | -- | 414,493 | -- | 419,493 |
| Other long-term liabilities, including redeemable preferred shares | 21,162 | -- | 18,168 | -- | 39,330 |
| Equity | (147,568) | 157,287 | 31,303 | 34,077 | 75,099 |
| Total liabilities and equity | $ 191,958 | $757,342 | $500,223 | $77,539 | $1,527,062 |

| | AS OF JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | PENDING ACQUISITIONS -- HISTORICAL | | | | |
| | AVALON | FALCON | FANCH(a) | BRESNAN | TOTAL PENDING |
| Cash and cash equivalents | $ 3,457 | $ 11,852 | $ 785 | $ 2,826 | $ 18,920 |
| Accounts receivable, net | 6,158 | 19,102 | 2,814 | 8,917 | 36,991 |
| Receivable from related party | -- | 6,949 | -- | -- | 6,949 |
| Prepaid expenses and other | 415 | 35,007 | 1,249 | -- | 36,671 |
| Total current assets | 10,030 | 72,910 | 4,848 | 11,743 | 99,531 |
| Property, plant and equipment | 116,587 | 522,587 | 241,169 | 330,876 | 1,211,219 |
| Franchises | 470,041 | 384,197 | 4,602 | 324,990 | 1,183,830 |
| Other assets | 32 | 457,148 | 606,851 | 23,515 | 1,087,546 |
| Total assets | $596,690 | $1,436,842 | $857,470 | $691,124 | $3,582,126 |
| Current maturities of long-term debt | $ 25 | $ -- | $ 754 | $ -- | $ 779 |
| Accounts payable and accrued expenses | 13,983 | 144,892 | 27,156 | 43,518 | 229,549 |
| Current deferred revenue | 3,136 | 2,630 | -- | -- | 5,766 |
| Other current liabilities | 3,160 | -- | -- | 3,698 | 6,858 |
| Total current liabilities | 20,304 | 147,522 | 27,910 | 47,216 | 242,952 |
| Deferred income taxes | -- | 2,287 | -- | -- | 2,287 |
| Long-term debt | 446,079 | 1,665,676 | 12,728 | 846,364 | 2,970,847 |
| Note payable to related party, including accrued interest | -- | -- | 1,457 | -- | 1,457 |
| Other long-term liabilities, including redeemable preferred shares | -- | 400,471 | 197 | 6,015 | 406,683 |
| Equity | 130,307 | (779,114) | 815,178 | (208,471) | (42,100) |
| Total liabilities and equity | $596,690 | $1,436,842 | $857,470 | $691,124 | $3,582,126 |

| | AS OF JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | RECENT ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(b) | DISPOSITIONS(c) | ADJUSTMENTS | TOTAL |
| Cash and cash equivalents..... | $ 14,123 | $ 54 | $ (4,888) | $ -- | $ 9,289 |
| Accounts receivable, net...... | 32,605 | 830 | (1,493) | (9,422)(d) | 22,520 |
| Receivable from related party........................ | 5,256 | 3 | -- | (5,259)(e) | -- |
| Prepaid expenses and other.... | 5,317 | 348 | (158) | -- | 5,507 |
| Total current assets......... | 57,301 | 1,235 | (6,539) | (14,681) | 37,316 |
| Property, plant and equipment.................... | 637,562 | 4,208 | (61,459) | -- | 580,311 |
| Franchises.................... | 724,085 | 6 | (267,781) | 2,157,724(f) | 2,614,034 |
| Deferred income taxes......... | 15,288 | -- | -- | (15,288)(g) | -- |
| Other assets.................. | 92,826 | 90 | (381) | (92,916)(h) | (381) |
| Total assets................. | $1,527,062 | $5,539 | $(336,160) | $2,034,839 | $3,231,280 |
| Current maturities of long-term debt.............. | $ -- | $ -- | $ -- | -- | -- |
| Short-term debt............... | -- | -- | -- | $ 133,312(j) | $ 133,312 |
| Accounts payable and accrued expenses..................... | 82,638 | 796 | (4,362) | -- | 79,072 |
| Current deferred revenue...... | 12,854 | -- | -- | (10,498)(d) | 2,356 |
| Note payable to related party........................ | 4,607 | -- | -- | (4,607)(i) | -- |
| Pending acquisitions payable...................... | -- | -- | -- | -- | -- |
| Other current liabilities..... | -- | -- | -- | -- | -- |
| Total current liabilities.... | 100,099 | 796 | (4,362) | 118,207 | 214,740 |
| Deferred revenue.............. | -- | 170 | -- | (170)(d) | -- |
| Deferred income taxes......... | 6,703 | -- | -- | (6,703)(g) | -- |
| Long-term debt................ | 886,338 | 1,063 | (331,798) | 2,460,937(j) | 3,016,540 |
| Note payable to related party, including accrued interest... | 419,493 | -- | -- | (419,493)(i) | -- |
| Other long-term liabilities, including redeemable preferred shares............ | 39,330 | -- | -- | (39,330)(k) | -- |
| Equity........................ | 75,099 | 3,510 | -- | (78,609)(l) | -- |
| Total liabilities and equity..................... | $1,527,062 | $5,539 | $(336,160) | $2,034,839 | $3,231,280 |

| | AS OF JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | PENDING ACQUISITIONS | | | | |
| | | PRO FORMA | | | |
| | HISTORICAL | ACQUISITIONS(b) | DISPOSITIONS(c) | ADJUSTMENTS | TOTAL |
| Cash and cash equivalents..... | $ 18,920 | $ 755 | $ (3,919) | $ -- | $ 15,756 |
| Accounts receivable, net...... | 36,991 | 55 | (386) | -- | 36,660 |
| Receivable from related party........................ | 6,949 | 591 | -- | (7,540)(e) | -- |
| Prepaid expenses and other.... | 36,671 | 196 | (39) | -- | 36,828 |
| Total current assets......... | 99,531 | 1,597 | (4,344) | (7,540) | 89,244 |
| Property, plant and equipment.................... | 1,211,219 | 7,188 | (20,360) | -- | 1,198,047 |
| Franchises.................... | 1,183,830 | 359 | (64,362) | 7,629,389(f) | 8,749,216 |
| Deferred income taxes......... | -- | -- | -- | -- | -- |
| Other assets.................. | 1,087,546 | 1,242 | (88) | (1,130,454)(h) | (41,754) |
| Total assets................. | 3,582,126 | $10,386 | $(89,154) | $ 6,491,395 | $9,994,753 |
| Current maturities of long-term debt.............. | $ 779 | $ -- | -- | $ (779)(j) | $ -- |
| Short-term debt............... | -- | -- | -- | 4,124,579(j) | 4,124,579 |
| Accounts payable and accrued expenses..................... | 229,549 | 461 | (952) | -- | 229,058 |
| Current deferred revenue...... | 5,766 | 263 | -- | (6,029)(d) | -- |
| Note payable to related party........................ | -- | (2,561) | -- | 2,561(i) | -- |
| Pending acquisitions payable...................... | -- | -- | -- | 2,898,500(j) | 2,898,500 |
| Other current liabilities..... | 6,858 | -- | -- | (6,858)(i) | -- |
| Total current liabilities.... | 242,952 | (1,837) | (952) | 7,011,974 | 7,252,137 |
| Deferred revenue.............. | -- | -- | -- | -- | -- |
| Deferred income taxes......... | 2,287 | 359 | -- | (2,646)(g) | -- |
| Long-term debt................ | 2,970,847 | 2,815 | (88,202) | (2,217,844)(j) | 667,616 |

| | | | | | |
|---|---|---|---|---|---|
| Note payable to related party, including accrued interest... | 1,457 | -- | -- | (1,457)(i) | -- |
| Other long-term liabilities, including redeemable preferred shares............. | 406,683 | 10 | -- | (406,693)(k) | -- |
| Equity........................ | (42,100) | 9,039 | -- | 2,108,061(l) | 2,075,000 |
| Total liabilities and equity..................... | $3,582,126 | $10,386 | $(89,154) | $ 6,491,395 | $9,994,753 |

- - ------------------------

(a) Fanch includes the balance sheet of Fanch cable systems as follows (dollars in thousands):

| | FANCH CABLE SYSTEMS | OTHERS | TOTAL |
|---|---|---|---|
| Total current assets | $ 3,482 | $ 1,366 | $ 4,848 |
| Total assets | 833,265 | 24,205 | 857,470 |
| Total current liabilities | 24,124 | 3,786 | 27,910 |
| Equity | 809,141 | 6,037 | 815,178 |
| Total liabilities and equity | 833,265 | 24,205 | 857,470 |

(b) Represents the historical balance sheets as of June 30, 1999 for acquisitions to be completed subsequent to June 30, 1999.

(c) Represents the historical assets and liabilities as of June 30, 1999 of cable systems transferred to InterMedia on October 1, 1999 and one Indiana cable system we are required to transfer to InterMedia as part of a swap of cable systems. The cable system being swapped will be accounted for at fair value. No material gain or loss is anticipated in conjunction with the swap. See "Business -- Acquisitions -- InterMedia Systems".

(d) Represents the offset of advance billings against deferred revenue to be consistent with Charter Communications Holding Company accounting policy and the elimination of deferred revenue.

(e) Reflects assets retained by the seller.

(f) 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):

| | INTERMEDIA SYSTEMS | HELICON | RIFKIN |
|---|---|---|---|
| Working capital | $(20,493) | $ (3,363) | $ (23,796) |
| Property, plant and equipment | 149,563 | 88,252 | 301,526 |
| Franchises | 775,399 | 465,111 | 1,182,270 |
| Other | (469) | -- | -- |
| | $904,000 | $550,000 | $1,460,000 |

| | AVALON | FALCON | FANCH | BRESNAN | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| Working capital | $ (3,396) | $ (78,943) | $ (22,308) | $ (31,775) | $ 148 | $ (183,926) |
| Property, plant and equipment | 121,470 | 524,892 | 241,169 | 330,876 | 20,610 | 1,778,358 |
| Franchises | 741,101 | 3,095,581 | 2,181,139 | 2,795,757 | 126,892 | 11,363,250 |
| Other | -- | 8,334 | -- | -- | -- | 7,865 |
| | $859,175 | $3,549,864 | $2,400,000 | $3,094,858 | $147,650 | $12,965,547 |

The sources of cash for the recent and pending acquisitions are as follows (dollars in millions):

| | | | |
|---|---|---|---|
| CASH SHORTFALL: | | | |
| Current liabilities: | | | |
| 8% liability to Falcon sellers | $ 425.0 | | |
| 8% liability to Bresnan sellers | 1,000.0 | | |
| 8% liability to Rifkin sellers | 133.3 | $1,558.3 | |
| Publicly held debt, at fair market value: | | | |
| 9.375% senior subordinated notes -- Avalon | 150.0 | | |
| 11.875% senior discount notes -- Avalon | 128.6 | 278.6 | |
| Falcon bridge loan facility | | 705.7 | |
| Anticipated financing to be arranged in connection with Bresnan acquisition | | 1,715.3 | |
| Total cash shortfall | | | $ 4,257.9 |
| AVAILABLE AND COMMITTED SOURCES: | | | |
| Escrow deposit -- Avalon | | 50.0 | |
| Funded or expected equity contributions: | | | |
| Mr. Allen equity contributions | 1,325.0 | | |
| Mr. Allen committed equity contribution | 750.0 | | |
| Net proceeds from sale of Class B shares | 0.9 | | |
| Net proceeds from the offering | 2,897.6 | 4,973.5 | |
| Expected credit facilities draw down: | | | |
| Charter Operating's credit facilities | | 1,604.1 | |
| Credit facilities of acquisitions | | | |
| Falcon | 1,011.0 | | |
| Avalon | 169.0 | | |
| Fanch | 875.0 | 2,055.0 | |
| Helicon preferred limited liability company interests | | 25.0 | |
| Total available and committed sources | | | 8,707.6 |
| | | | $12,965.5 |

The cash shortfall is included in short-term debt in the pro forma balance sheet.

Available and committed sources of funds will not be sufficient to consummate our pending acquisitions and fund related obligations. In connection with our pending acquisitions, we may need to raise additional amounts up to a total of approximately $4.36 billion.

We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facility borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion in Bresnan notes that we expect to be put to us in connection with required change of control offers for these notes.

In addition, we will have to raise approximately $2.64 billion of additional financing if we are required to pay:

- approximately $0.71 billion to repurchase outstanding notes of Falcon if committed bridge loan financing does not close;

- approximately $0.27 billion to repurchase outstanding notes of Avalon;

- approximately $1.57 billion to repurchase equity interests issued or to be issued to specified sellers in connection with a number of our acquisitions; and

- approximately $0.09 billion to InterMedia if we do not obtain timely regulatory approvals for our transfer to InterMedia of an Indiana cable system and we are unable to transfer replacement systems.

The Avalon, Fanch and Falcon acquisitions are expected to close in the fourth quarter of 1999. We plan to fund these acquisitions with the proceeds of the offering, Mr. Allen's equity contributions through Vulcan Cable III Inc., borrowings under committed credit facilities and equity issued to specified sellers in the Falcon acquisition. We plan to fund any repurchases of Falcon debentures and notes that are put to us with the committed Falcon bridge loan facility. The Bresnan acquisition is expected to close in the first quarter of 2000. We will need to raise the $1.7 billion shortfall by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company.

We cannot assure you that we will be able to raise the financing necessary to consummate our pending acquisitions and to satisfy the obligations described above. If we are unable to raise the financing necessary to satisfy any or all of these obligations, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. In any such case, the relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

The amounts shown above as current liabilities to Rifkin, Falcon and Bresnan sellers represent the possible obligations that we may owe to these sellers based on the possible violations of Section 5 of the Securities Act in connection with the issuance of membership units to these sellers.

(g) Represents the elimination of deferred income tax assets and liabilities.

(h) Represents the elimination of the unamortized historical cost of various assets based on the allocation of purchase price (see (e) above) as follows (dollars in thousands):

| | |
|---|---|
| Subscriber lists | $ (528,890) |
| Noncompete agreements | (14,871) |
| Deferred financing costs | (59,746) |
| Goodwill | (738,127) |
| Escrow deposit -- Avalon | (50,000) |
| Other assets | (94,268) |
| | (1,485,902) |
| Less-accumulated amortization | 262,532 |
| | $(1,223,370) |

(i) Represents liabilities retained by the seller.

(j) Represents the following (dollars in millions):

| | |
|---|---|
| Long-term debt not assumed | $ (2,155.1) |
| Helicon notes (to be called) | (115.0) |
| Rifkin notes (to be tendered) | (125.0) |
| Falcon notes and debentures (to be put) | (698.7) |
| Bresnan notes (to be put) | (348.0) |
| Total pro forma debt not assumed | (3,441.8) |
| Short-term debt: | |
| 8% liability to Falcon sellers | 425.0 |
| 8% liability to Rifkin sellers | 133.3 |
| 8% liability to Bresnan sellers | 1,000.0 |
| Falcon bridge loan facility | 705.7 |
| Anticipated financing | 1,715.3 |
| Avalon notes | 278.6 |
| Total short-term debt | 4,257.9 |
| Long-term debt: | |
| Charter Operating's credit facilities | 1,604.1 |
| Falcon credit facility | 1,011.0 |
| Avalon credit facility | 169.0 |
| Fanch credit facility | 875.0 |
| Helicon preferred limited liability company interests | 25.0 |
| Total long-term debt | 3,684.1 |
| Pending acquisitions payable | 2,898.5 |
| | $ 7,398.7 |

The liabilities to the Bresnan, Falcon and Rifkin sellers represent the potential obligations to repurchase equity interests issued to the sellers arising from possible violations of the Securities Act in connection with the issuance of equity interests to these sellers. The pending acquisitions payable represents a portion of the purchase price of the pending acquisitions to be funded by the proceeds of the offering.

(k) Represents the elimination of historical liabilities retained by the seller and the elimination of Falcon's historical redeemable preferred shares.

(l) Represents the following (dollars in thousands):

| | |
|---|---|
| Elimination of historical equity | $ (45,548) |
| Additional contributions into Charter Communications Holding Company: | |
| Mr. Allen's equity contributions | 1,325,000 |
| Mr. Allen's committed equity contribution | 750,000 |
| | $2,029,452 |

NOTE B: Offering adjustments include the issuance and sale by Charter Communications, Inc. of Class A common stock for net proceeds of $2.90 billion, after deducting underwriting discounts and commissions and estimated offering expenses, and proceeds of $0.9 million from the sale of Class B common stock, all applied to reduce the pending acquisition payable. Also included as an offering adjustment is the effect of consolidating Charter Communications Holding Company into Charter Communications, Inc. using historical carrying values based on Charter Communications, Inc.'s purchase of membership units, including voting control, in Charter Communications Holding Company. This results in the $5.4 billion of member's equity in Charter Communications Holding Company becoming minority interest in the consolidated balance sheet of Charter Communications, Inc.

Minority interest is calculated as follows (dollars in thousands):

| | |
|---|---|
| Historical member's equity | $3,204,122 |
| Expected equity contributions | 4,973,500 |
| Pro forma members' equity | 8,177,622 |
| Minority interest percentage | 66% |
| Minority interest | $5,368,064 |

Total stockholders' equity is calculated as follows (dollars in thousands):

| | |
|---|---|
| Net proceeds from sale of common stock | $2,898,500 |
| Reductions in net equity allocated to minority interest | (88,942) |
| | $2,809,558 |

Certain equity interests in Charter Communications Holding Company are exchangeable into common stock of Charter Communications, Inc. We assume no such equity interests are exchanged. If all equity holders (other than Charter Communications, Inc.) in Charter Communications Holding Company exchanged all of their units for common stock, total stockholders' equity would increase by $5.4 billion and minority interest would decrease by $5.4 billion.

## SELECTED HISTORICAL FINANCIAL DATA

On July 22, 1999, Charter Communications, Inc. was formed. Charter Communications, Inc. will be a holding company whose sole asset, upon closing of the offering and before the closing of the Falcon and Bresnan acquisitions, will be an approximate 34% economic interest and a 100% voting interest in Charter Communications Holding Company. This results in the consolidation of Charter Communications Holding Company and Charter Communications, Inc. Therefore, we have included below selected historical financial data for Charter Communications Holding Company.

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, from December 24, 1998 through December 31, 1998, and January 1, 1999 through June 30, 1999 are derived from the consolidated financial statements of Charter Communications Holding Company. The consolidated financial statements of Charter Communications Holding Company 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, have been audited by Arthur Andersen LLP, independent public accountants, and are included elsewhere in this prospectus. The selected historical financial data for the period from October 1, 1995 through December 31, 1995, are derived from the predecessor of Charter Communications Holding Company's unaudited financial statements and are not included elsewhere in this prospectus. The selected historical financial data for the year ended December 31, 1994 and for the period from January 1, 1995 through September 30, 1995 are derived from the unaudited financial statements of Charter Communications Holding Company's predecessor business and are not 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 of Charter Communications Holding Company and related notes included elsewhere in this prospectus.

| | PREDECESSOR OF CHARTER COMMUNICATIONS HOLDING COMPANY | | CHARTER COMMUNICATIONS HOLDING COMPANY | | | | | |
|---|---|---|---|---|---|---|---|---|
| | YEAR ENDED DECEMBER 31, 1994 | 1/1/95 THROUGH 9/30/95 | 10/1/95 THROUGH 12/31/95 | YEAR ENDED DECEMBER 31, 1996 | YEAR ENDED DECEMBER 31, 1997 | 1/1/98 THROUGH 12/23/98 | 12/24/98 THROUGH 12/31/98 | 1/1/99 THROUGH 6/30/99 |
| | (DOLLARS IN THOUSANDS) | | | | | | | |
| STATEMENT OF OPERATIONS: | | | | | | | | |
| Revenues | $ 6,584 | $5,324 | $ 1,788 | $14,881 | $18,867 | $49,731 | $ 13,713 | $ 468,993 |
| Operating expenses: | | | | | | | | |
| Operating, general and administrative | 3,247 | 2,581 | 931 | 8,123 | 11,767 | 25,952 | 7,134 | 241,341 |
| Depreciation and amortization | 2,508 | 2,137 | 648 | 4,593 | 6,103 | 16,864 | 8,318 | 249,952 |
| Stock option compensation expense | -- | -- | -- | -- | -- | -- | 845 | 38,194 |
| Management fees/corporate expense charges | 106 | 224 | 54 | 446 | 566 | 6,176 | 473 | 11,073 |
| Total operating expenses | 5,861 | 4,942 | 1,633 | 13,162 | 18,436 | 48,992 | 16,770 | 540,560 |
| Income (loss) from operations | 723 | 382 | 155 | 1,719 | 431 | 739 | (3,057) | (71,567) |
| Interest expense | -- | -- | (691) | (4,415) | (5,120) | (17,277) | (2,353) | (157,669) |
| Interest income | 26 | -- | 5 | 20 | 41 | 44 | 133 | 10,085 |
| Other income (expense) | -- | 38 | -- | (47) | 25 | (728) | -- | 2,840 |
| Income (loss) before extraordinary item | $ 749 | $ 420 | $ (531) | $(2,723) | $(4,623) | $(17,222) | $ (5,277) | $ (216,311) |
| BALANCE SHEET DATA (AT END OF PERIOD): | | | | | | | | |
| Total assets | $ 25,511 | $26,342 | $31,572 | $67,994 | $55,811 | $281,969 | $4,335,527 | $8,687,474 |
| Total debt | 10,194 | 10,480 | 28,847 | 59,222 | 41,500 | 274,698 | 2,002,206 | 5,134,310 |
| Member's equity (deficit) | 14,822 | 15,311 | 971 | 2,648 | (1,975) | (8,397) | 2,147,379 | 3,204,122 |

# 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.

## INTRODUCTION

We do not believe that our historical financial condition and results of operations are accurate indicators of future results because of recent and pending significant events, including:

(1) the acquisition by Mr. Allen of CCA Group, Charter Communications Properties Holdings, LLC and CharterComm Holdings LLC, referred to together with their subsidiaries as the Charter companies;

(2) the merger of Marcus Holdings with and into Charter Holdings;

(3) the recent and pending acquisitions of Charter Communications Holding Company and its direct and indirect subsidiaries;

(4) the refinancing of the previous credit facilities of the Charter companies; and

(5) the purchase of publicly held notes that had been issued by several of the direct and indirect subsidiaries of Charter Communications Holding Company.

Provided below is a discussion of our organizational history consisting of:

(1) the operation and development of the Charter companies prior to the acquisition by Mr. Allen, together with the acquisition of the Charter companies by Mr. Allen;

(2) the merger of Marcus Holdings with and into Charter Holdings;

(3) the recent and pending acquisitions of Charter Communications Holding Company and its direct and indirect subsidiaries; and

(4) the formation of Charter Communications, Inc.

## 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 on 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, Inc. prior to the acquisition of the Charter companies by Mr. Allen and the fourth group was comprised of companies that were subsidiaries of Marcus Holdings.

The following is an explanation of how:

(1) Charter Communications Properties; the operating companies that formerly comprised CCA Group; CharterComm Holdings; and the Marcus companies became wholly owned subsidiaries of Charter Operating;

(2) Charter Operating became a wholly owned subsidiary of Charter Holdings;

(3) Charter Holdings became a wholly owned subsidiary of Charter Communications Holding Company; and

(4) Charter Communications Holding Company became a wholly owned subsidiary of Charter Investment, Inc.

THE CHARTER COMPANIES

Prior to Charter Investment, Inc. acquiring the remaining interests that it did not previously own in two of the three groups of Charter companies, namely CCA Group and CharterComm Holdings, as described below, the operating subsidiaries of the three groups of Charter companies were parties to separate management agreements with Charter Investment, Inc. under which Charter Investment, Inc. provided management and consulting services. Prior to our acquisition by Mr. Allen, the Charter companies were as follows:

(1) Charter Communications Properties Holdings, LLC

Charter Communications Properties Holdings, LLC was a wholly owned subsidiary of Charter Investment, Inc. The primary subsidiary of Charter Communications Properties Holdings, which owned the cable systems, was Charter Communications Properties. In connection with Mr. Allen's acquisition on December 23, 1998, Charter Communications Properties Holdings was merged out of existence. Charter Communications Properties became a direct, wholly owned subsidiary of Charter Investment, Inc. In May 1998, Charter Communications Properties 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.

(2) CCA Group

The controlling interests in CCA Group were held by affiliates of Kelso & Co. Charter Investment, Inc. had only a minority interest. On December 21, 1998, prior to Mr. Allen's acquisition, the remaining interests it did not previously own in CCA Group were acquired by Charter Investment, Inc. from the Kelso affiliates. Consequently, the companies comprising CCA Group became wholly owned subsidiaries of Charter Investment, Inc.

CCA Group consisted of the following three sister companies:

(a) CCT Holdings, LLC,

(b) CCA Holdings, LLC, and

(c) Charter Communications Long Beach, LLC.

The cable systems were owned by the various subsidiaries of these three sister companies. The financial statements for these three sister companies historically were combined and the term "CCA Group" was assigned to these combined entities. In connection with Mr. Allen's acquisition on December 23, 1998, the three sister companies and some of the non-operating subsidiaries were merged out of existence, leaving certain of the operating subsidiaries owning all of the cable systems under this former group. These operating subsidiaries became indirect, wholly owned subsidiaries of Charter Investment, Inc.

(3) CharterComm Holdings, LLC

The controlling interests in CharterComm Holdings were held by affiliates of Charterhouse Group International Inc. Charter Investment, Inc. had only a minority interest. On December 21, 1998, prior to Mr. Allen's acquisition, the remaining interests it did not previously own in CharterComm Holdings were acquired by Charter Investment, Inc. from the Charterhouse affiliates. Consequently, CharterComm Holdings became a wholly owned subsidiary of Charter Investment, Inc.

The cable systems were owned by the various subsidiaries of CharterComm Holdings. In connection with Mr. Allen's acquisition on December 23, 1998, some of the non-operating subsidiaries were merged out of existence, leaving certain of the operating subsidiaries owning all of the cable systems under this former group. CharterComm Holdings was merged out of existence. Charter Communications, LLC became a direct, wholly owned subsidiary of Charter Investment, Inc.

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, Inc. for an aggregate purchase price of $2.2 billion, excluding $2.0 billion in assumed debt. Charter Communications Properties, the operating companies that formerly comprised CCA Group and CharterComm Holdings were contributed to Charter Operating subsequent to Mr. Allen's acquisition. Charter Communications Properties is deemed to be our predecessor. Consequently, the contribution of Charter Communications Properties was accounted for as a reorganization under common control. Accordingly, the accompanying financial statements for periods prior to December 24, 1998 include the accounts of Charter Communications Properties. The contributions of the operating companies that formerly comprised CCA Group and CharterComm Holdings were accounted for in accordance with purchase accounting. Accordingly, the financial statements for periods after December 23, 1998 include the accounts of Charter Communications Properties, CCA Group and CharterComm Holdings.

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

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

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, Inc., pursuant to which Charter Investment, Inc. provided management and consulting services to Marcus Cable and its subsidiaries which own the 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 the financial statements of Charter Communications Holding Company since that date.

ACQUISITIONS

In the second, third and fourth quarters of 1999, direct or indirect subsidiaries of Charter Holdings acquired Renaissance, American Cable, Greater Media systems, Helicon, Vista, a cable system of Cable Satellite, Rifkin and InterMedia for a total purchase price of approximately $4.3 billion which included assumed debt of $351 million. See "Business -- Acquisitions" and "Description of Certain Indebtedness". These acquisitions were funded through excess cash from the issuance by Charter Holdings of senior notes, borrowings under our credit facilities, capital contributions to Charter Communications Holding Company by Mr. Allen and the assumption of the outstanding Renaissance, Helicon and Rifkin notes.

As part of the transaction with InterMedia, we agreed to "swap" some of our non-strategic cable systems located in Indiana, Montana, Utah and northern Kentucky, representing 144,000 customers. The InterMedia systems serve approximately 412,000 customers in Georgia, North Carolina, South Carolina and Tennessee. We have transferred 114,000 customers to InterMedia in connection with this swap. Approximately 30,000 customers are yet to be transferred pending the necessary regulatory approvals. See "Business -- Acquisitions -- InterMedia Systems".

In addition to these acquisitions, since the beginning of 1999, Charter Communications Holding Company and its subsidiaries have entered into definitive agreements to acquire the Avalon, Fanch, Falcon and Bresnan cable systems. All of these acquisitions are set forth in the table below. These acquisitions are expected to be funded through the net proceeds of the offering, borrowings under credit facilities, additional equity and debt financings and the assumption of outstanding notes issued by Avalon and Bresnan. Not all of the funding necessary to complete these acquisitions has been arranged. See "-- Liquidity and Capital Resources" and "Description of Certain Indebtedness".

Under the Falcon purchase agreement, specified Falcon sellers have agreed to receive a portion of the Falcon purchase price in the form of membership units in Charter Communications Holding Company ranging from a minimum with an estimated value of $425 million to a maximum of $550 million. Under the Bresnan purchase agreement, the Bresnan sellers have agreed to receive $1.0 billion of the Bresnan purchase price in the form of membership units in Charter Communications Holding Company, which, as of the closing of the offering, would equal approximately 6.7% of the total membership units in Charter Communications Holding Company. See "Business -- Acquisitions". In addition, certain Rifkin sellers received $133.3 million of the purchase price in the form of preferred equity of Charter Communications Holding Company. Under the Helicon purchase agreement, $25 million of the purchase price was paid in the form of preferred limited liability company interests of Charter-Helicon, LLC, a direct wholly owned subsidiary of Charter Communications, LLC, itself an indirect subsidiary of Charter Communications Holding Company.

| | | | AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1999 | |
|---|---|---|---|---|
| ACQUISITION | ACTUAL OR ANTICIPATED ACQUISITION DATE | PURCHASE PRICE (IN MILLIONS) | CUSTOMERS | REVENUE (IN THOUSANDS) |
| Renaissance | 4/99 | $ 459 | 129,000 | $ 30,807 |
| American Cable | 5/99 | 240 | 69,000 | 17,958 |
| Greater Media systems | 6/99 | 500 | 175,000 | 42,348 |
| Helicon | 7/99 | 550 | 173,000 | 42,956 |
| Vista | 7/99 | 126 | 28,000 | 7,101 |
| Cable Satellite | 8/89 | 22 | 9,000 | 2,056 |
| Rifkin | 9/99 | 1,460 | 461,000 | 105,592 |
| InterMedia systems | 10/99 | 904+ | 412,000 | 100,644 |
| | | systems swap | (144,000)(a) | |
| | | | 268,000 | |
| Avalon | 4th Quarter 1999 | 845 | 260,000 | 51,769 |
| Fanch | 4th Quarter 1999 | 2,400 | 537,000 | 98,931 |
| Falcon | 4th Quarter 1999 | 3,550 | 1,008,000 | 212,205 |
| Bresnan | 1st Quarter 2000 | 3,100 | 656,000 | 137,291 |
| Total | | $ 14,156 | 3,773,000 | $849,658 |

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(a) Represents the number of customers served by cable systems that we agreed to transfer to InterMedia. This number includes 30,000 customers served by an Indiana cable system that we did not transfer at the time of the InterMedia closing because the necessary regulatory approvals were still pending.

The systems acquired pursuant to these recent and pending acquisitions served, in the aggregate, approximately 3.8 million customers as of June 30, 1999. In addition, we are negotiating with several other potential acquisition and swapping candidates whose systems would further complement our regional operating clusters.

CHARTER COMMUNICATIONS, INC.

Charter Communications, Inc. was formed as a holding company in July 1999. In connection with the offering, Charter Communications, Inc. will issue:

- 170,000,000 shares of Class A common stock in the offering, and an additional 25,500,000 shares of Class A common stock if the underwriters exercise their over-allotment option in full; and

- 50,000 shares of high vote Class B common stock to Mr. Allen.

Charter Communications, Inc. will use all of the net proceeds of the offering and the sale of shares of Class B common stock to purchase Charter Communications Holding Company membership units, except for a portion of the net proceeds of the offering which will be retained by Charter Communications, Inc. to acquire a portion of the equity interests in the Avalon acquisition. Charter Communications, Inc. has committed to contribute these equity interests to Charter Communications Holding Company in exchange for membership interests in Charter Communications Holding Company. See "Use of Proceeds". Immediately following the offering, Mr. Allen will control approximately 95% of the total voting power of Charter Communications, Inc.'s outstanding capital stock and will control Charter Communications Holding Company and its direct and indirect subsidiaries.

The sale of shares of Class A common stock in the offering and the sale of the shares of Class B common stock as described above will affect us in many ways, including the following:

- Our Management. The current management agreement between Charter Operating and Charter Investment, Inc. will be amended and assigned from Charter Investment, Inc. to Charter Communications, Inc. Charter Communications, Inc. and Charter Communications Holding Company will enter into a new agreement relating to the management of the cable systems of the subsidiaries of Charter Communications Holding Company. In addition, Charter Investment, Inc. and Charter Communications, Inc. will enter into a mutual services agreement. These agreements are described under the heading "Certain Relationships and Related Transactions".

- Option Plan. After the offering, each membership unit in Charter Communications Holding Company received as a result of an exercise of an option issued under the Charter Communications Holding Company option plan will automatically be exchanged for one share of Class A common stock of Charter

Communications, Inc. See "Management -- Option Plan" for additional information regarding the option plan.

- Business Activities. Upon the completion of the offering, we will not be permitted to engage in any business activity other than the cable transmission of video, audio and data unless Mr. Allen first consents to our pursuing that particular business activity. See "Risk Factors -- 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" and "Certain Relationships and Related Transactions -- Allocation of Business Opportunities with Mr. Allen".

- Special Loss Allocation. Charter Communications Holding Company's limited liability company agreement provides that through the end of 2003, tax losses of Charter Communications Holding Company that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units will be allocated instead to the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. The limited liability company agreement also provides that beginning at the time that Charter Communications Holding Company first becomes profitable, as determined under applicable federal income tax rules for determining book profits, tax profits that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units will instead be allocated to the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. The purpose of these arrangements is to allow Mr. Allen to take advantage, for tax purposes, of the losses expected to be generated by Charter Communications Holding Company. These arrangements should not materially affect our results of operations. See "Description of Capital Stock and Membership Units -- Special Allocation of Losses".

OVERVIEW

Approximately 85% of our historical revenues for the six months ended June 30, 1999 are attributable to monthly subscription fees charged to customers for our basic, expanded basic and premium cable television programming services, equipment rental and ancillary services provided by our cable television systems. In addition, we derive other revenues 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. We have generated increased revenues in each of the past three fiscal years, primarily through internal customer growth, basic and expanded tier rate increases and acquisitions as well as innovative marketing, such as our MVP package of premium services. The MVP package entitles customers to receive a substantial discount on bundled premium services of HBO, Showtime, Cinemax and The Movie Channel. The MVP package has increased premium revenue by 3.4% and premium cash flow by 5.5% in the initial nine months of this program. We are beginning to offer our customers several other services, which are expected to significantly contribute to our revenues. One of these services is digital cable, which provides subscribers with additional programming options. We are also offering high speed Internet access to the World Wide Web through cable modems. Cable modems can be attached to personal computers so that users can send and receive data over cable systems. Our television based Internet access allows us to offer the services provided by WorldGate Communications, Inc., which provides users with TV based e-mail and other Internet access.

Our expenses primarily consist of operating costs, general and administrative expenses, depreciation and amortization 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. Programming costs account for approximately 46% of our operating costs. Programming costs have increased in recent years and are expected to continue to increase due to additional programming being provided to customers, increased cost to produce or purchase cable programming, inflation and other factors affecting the cable television industry. In each year we have operated, our costs to acquire programming have exceeded customary inflationary increases. Significant factors with respect to increased programming costs are the rate increases and surcharges imposed by national and regional sports networks directly tied to escalating costs to acquire programming for professional sports packages in a competitive market. We have benefited in the past from our membership in an industry cooperative that provides members with volume discounts from programming networks. We believe our membership has kept increases in our programming costs below what the increases would otherwise have been. We also believe that we should derive additional discounts from programming networks due to our increased size. Finally, we were able to negotiate favorable terms with premium networks in conjunction with the premium packages we offer, which minimized the impact on margins and provided substantial volume incentives to grow the premium category. Although we believe that we will be able to pass future increases in programming costs through to customers, there can be no assurance that we will be able to do so.

General and administrative expenses primarily include accounting and administrative personnel and professional fees. Depreciation and amortization expense relates to the depreciation of our tangible assets and the amortization of our franchise costs. Management fees/corporate expense charges are fees paid to or charges from Charter Investment, Inc. for corporate management and consulting services. Charter Holdings records actual corporate expense charges incurred by Charter Investment, Inc. on behalf of Charter Holdings. Prior to the acquisition of us by Mr. Allen, the CCA Group and CharterComm Holdings recorded management fees payable to Charter Investment, Inc. equal to 3.0% to 5.0% of gross revenues plus certain expenses. In October 1998, Charter Investment, Inc. began managing the cable operations of Marcus Holdings under a management agreement, which was terminated in February 1999 and replaced by a master management fee arrangement. The Charter Operating credit facilities limit management fees to 3.5% of gross revenues.

In connection with the offering, the existing management agreement between Charter Investment, Inc. and Charter Operating will be assigned to Charter Communications, Inc. and Charter Communications, Inc. will enter into a new management agreement with Charter Communications Holding Company. This management agreement will be substantially similar to the existing management agreement with Charter Operating except that Charter Communications, Inc. will only be entitled to receive reimbursement of its expenses as consideration for its providing management services. See "Certain Relationships and Related Transactions".

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, 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

The following discusses the results of operations for:

(1) Charter Communications Holding Company, comprised of Charter Communications Properties, for the six months ended June 30, 1998, and

(2) Charter Communications Holding Company, comprised of the following for the six months ended June 30, 1999:

- Charter Communications Properties, CCA Group and CharterComm Holdings for the entire period;

- Marcus Holdings for the period from March 31, 1999 (the date Mr. Allen acquired voting control) through June 30, 1999;

- Renaissance for the period from May 1, 1999 (the acquisition date) through June 30, 1999; and

- American Cable for the period from May 8, 1999 (the acquisition date) through June 30, 1999.

The following table sets forth the percentages of revenues that items in the statements of operations constitute for the indicated periods.

| | SIX MONTHS ENDED | | | |
|---|---|---|---|---|
| | 6/30/99 | | 6/30/98 | |
| | (DOLLARS IN THOUSANDS) | | | |
| STATEMENTS OF OPERATIONS | | | | |
| Revenues | $ 468,993 | 100.0% | $ 15,129 | 100.0% |
| Operating expenses: | | | | |
| Operating, general and administrative | 241,341 | 51.5 | 8,378 | 55.4 |
| Depreciation and amortization | 249,952 | 53.3 | 5,312 | 35.1 |
| Stock option compensation expense | 38,194 | 8.1 | -- | -- |
| Management fees/corporate expense charges | 11,073 | 2.4 | 628 | 4.1 |
| Total operating expenses | 540,560 | 115.3 | 14,318 | 94.6 |
| Income (loss) from operations | (71,567) | (15.3) | 811 | 5.4 |
| Interest income | 10,085 | 2.2 | 14 | 0.1 |
| Interest expense | (157,669) | (33.6) | (5,618) | (37.1) |
| Other income | 2,840 | 0.6 | 3 | -- |
| Loss before extraordinary item | (216,311) | (46.1) | (4,790) | (31.6) |
| Extraordinary item-loss from early extinguishment of debt | 7,794 | 1.7 | -- | -- |
| Net loss | $(224,105) | (47.8)% | $ (4,790) | (31.6)% |

PERIOD FROM JANUARY 1, 1999 THROUGH JUNE 30, 1999
COMPARED TO PERIOD FROM JANUARY 1, 1998 THROUGH JUNE 30, 1998

REVENUES. Revenues increased by $453.9 million, or 3,000%, from $15.1 million for the period from January 1, 1998 through June 30, 1998 to $469.0 million for the period from January 1, 1999 through June 30, 1999. The increase in revenues primarily resulted from the acquisitions of CCA Group, CharterComm Holdings, Sonic, Marcus Holdings and Renaissance. Additional revenues from these entities included for the period ended June 30, 1999 were $185.1 million, $108.9 million, $26.2 million, $128.1 million and $10.4 million, respectively.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES. Operating, general and administrative expenses increased by $232.9 million, or 2,781%, from $8.4 million for the period from January 1, 1998 through June 30, 1998 to $241.3 million for the period from January 1, 1999 through June 30, 1999. This increase was due primarily to the acquisitions of the CCA Group, CharterComm Holdings, Sonic, Marcus Holdings and Renaissance. Additional operating, general and administrative expenses from these entities included for the period from January 1, 1999 through June 30, 1999 were $93.4 million, $54.2 million, $13.7 million, $69.5 million and $4.9 million, respectively.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased by $244.7 million, or 4,605%, from $5.3 million for the period from January 1, 1998 through June 30, 1998 to $250.0 million for the period from January 1, 1999 through June 30, 1999. There was a significant increase in amortization expense resulting from the acquisitions of the CCA Group, CharterComm Holdings, Sonic, Marcus Holdings and Renaissance. Additional depreciation and amortization expense from these entities included for the period ended June 30, 1999 were $100.7 million, $67.4 million, $5.3 million, $65.6 million and $5.8 million, respectively.

STOCK OPTION COMPENSATION EXPENSE. Stock option compensation expense for the period from January 1, 1999 through June 30, 1999 was $38.2 million due to the granting of options to employees in December 1998, February 1999 and April 1999. The exercise prices of the options are less than the estimated fair values of the underlying membership units on the date of grant, 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 $10.5 million, or 1,663%, from $0.6 million for the period from January 1, 1998 through June 30, 1998 to $11.1 million for the period from January 1, 1999 through June 30, 1999. The increase from the period from January 1, 1998 through June 30, 1998 compared to the period from January 1, 1999 through June 30, 1999 was the result of the acquisitions of CCA Group, CharterComm Holdings, Sonic, Marcus Holdings, Renaissance and American Cable.

INTEREST INCOME. Interest income increased by $10.1 million from $14,000 for the period from January 1, 1998 to June 30, 1998 to $10.1 million for the period from January 1, 1999 to June 30, 1999. The increase was primarily due to investing excess cash that resulted from required credit facilities draw downs.

INTEREST EXPENSE. Interest expense increased by $152.1 million, or 2,706%, from $5.6 million for the period from January 1, 1998 through June 30, 1998 to $157.7 million for the period from January 1, 1999 through June 30, 1999. This increase resulted primarily from interest on the notes at Charter Holdings, the credit facilities at Charter Operating and the financing of the acquisitions of CCA Group and CharterComm Holdings. The interest expenses resulting from each of these transactions were $68.7 million, $44.9 million, $12.8 million and $11.3 million, respectively.

OTHER INCOME. Other income increased by $2.8 million from $3,000 for the period from January 1, 1998 to June 30, 1998 to $2.8 million for the period from January 1, 1999 to June 30, 1999. The increase was primarily due to the gain on the sale of certain aircrafts.

NET LOSS. Net loss increased by $219.3 million, or 4,579%, from $4.8 million for the period from January 1, 1998 through June 30, 1998 to $224.1 million for the period from January 1, 1998 through June 30, 1999. The increase in revenues that resulted from the acquisitions of CCA Group, CharterComm Holdings, Sonic and Marcus Holdings was not sufficient to offset the operating expenses associated with the acquired systems and loss from early extinguishment of debt.

RESULTS OF OPERATIONS

The following discusses the results of operations for:

(1) Charter Communications Holding Company, comprised of Charter Communications Properties, for the period from January 1, 1998 through December 23, 1998 and for the years ended December 31, 1997 and 1996, and

(2) Charter Communications Holding Company, comprised of Charter Communications Properties, CCA Group and CharterComm Holdings, for the period from December 24, 1998 through December 31, 1998.

The following table sets forth the percentages of revenues that items in the statements of operations constitute for the indicated periods.

| | YEAR ENDED DECEMBER 31, 1996 | | YEAR ENDED DECEMBER 31, 1997 | | 1/1/98 THROUGH 12/23/98 | | 12/24/98 THROUGH 12/31/98 | |
|---|---|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS) | | | | | | | |
| STATEMENTS OF OPERATIONS | | | | | | | | |
| Revenues | $14,881 | 100.0% | $18,867 | 100.0% | $ 49,731 | 100.0% | $13,713 | 100.0% |
| Operating expenses: | | | | | | | | |
| Operating costs | 5,888 | 39.5% | 9,157 | 48.5% | 18,751 | 37.7% | 6,168 | 45.0% |
| General and administrative costs | 2,235 | 15.0% | 2,610 | 13.8% | 7,201 | 14.5% | 966 | 7.0% |
| Depreciation and amortization | 4,593 | 30.9% | 6,103 | 32.4% | 16,864 | 33.9% | 8,318 | 60.7% |
| Stock option compensation expense | -- | -- | -- | -- | -- | -- | 845 | 6.2% |
| Management fees/corporate expense charges | 446 | 3.0% | 566 | 3.0% | 6,176 | 12.4% | 473 | 3.4% |
| Total operating expenses | 13,162 | 88.4% | 18,436 | 97.7% | 48,992 | 98.5% | 16,770 | 122.3% |
| Income (loss) from operations | 1,719 | 11.6% | 431 | 2.3% | 739 | 1.5% | (3,057) | (22.3%) |
| Interest income | 20 | 0.1% | 41 | 0.2% | 44 | 0.1% | 133 | 1.0% |
| Interest expense | (4,415) | (29.7%) | (5,120) | (27.1%) | (17,277) | (34.7%) | (2,353) | (17.2%) |
| Other income (expense) | (47) | (0.3%) | 25 | 0.1% | (728) | (1.5%) | -- | -- |
| Net loss | $(2,723) | (18.3%) | $(4,623) | (24.5%) | $(17,222) | (34.6%) | $(5,277) | (38.5%) |

PERIOD FROM DECEMBER 24, 1998 THROUGH DECEMBER 31, 1998

This period is not comparable to any other period presented. The financial statements represent eight days of operations. This period not only contains the results of operations of Charter Communications Properties, but also the results of operations of those entities purchased in the acquisition of the Charter companies by Mr. Allen. As a result, no comparison of the operating results for this eight-day period is presented.

PERIOD FROM JANUARY 1, 1998 THROUGH DECEMBER 23, 1998 COMPARED TO 1997

REVENUES. Revenues increased by $30.8 million, or 163.6%, from $18.9 million in 1997 to $49.7 million for the period from January 1, 1998 through December 23, 1998. The increase in revenues primarily resulted from the acquisition of Sonic whose revenues for that period were $29.8 million.

OPERATING EXPENSES. Operating expenses increased by $9.6 million, or 104.8%, from $9.2 million in 1997 to $18.8 million for the period from January 1, 1998 through December 23, 1998. This increase was due primarily to the acquisition of Sonic, whose operating expenses for that period were $9.4 million, partially offset by the loss of $1.4 million on the sale of a cable system in 1997.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased by $4.6 million, or 175.9%, from $2.6 million in 1997 to $7.2 million for the period from January 1, 1998 through December 23, 1998. This increase was due primarily to the acquisition of Sonic whose general and administrative expenses for that period were $6.0 million.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased by $10.8 million, or 176.3%, from $6.1 million in 1997 to $16.9 million for the period from January 1, 1998 through December 23, 1998. There was a significant increase in amortization resulting from the acquisition of Sonic. Incremental depreciation and amortization expenses of the acquisition of Sonic were $9.9 million.

MANAGEMENT FEES/CORPORATE EXPENSE CHARGES. Corporate expense charges increased by $5.6 million, or 991.2% from $0.6 million in 1997 to $6.2 million for the period from January 1, 1998 through December 23, 1998. The increase from 1997 compared to the period from January 1, 1998 through December 23, 1998 was the result of additional Charter Investment, Inc. charges related to equity appreciation rights plans of $3.8 million for the period from January 1, 1998 through December 23, 1998 and an increase of $0.9 million in management services provided by Charter Investment, Inc. as a result of the acquisition of Sonic.

INTEREST EXPENSE. Interest expense increased by $12.2 million, or 237.4%, from $5.1 million in 1997 to $17.3 million for the period from January 1, 1998 through December 23, 1998. This increase resulted primarily from the indebtedness of $220.6 million, including a note payable for $60.9 million, incurred in connection with the acquisition of Sonic resulting in additional interest expense.

NET LOSS. Net loss increased by $12.6 million, or 272.5%, from $4.6 million in 1997 to $17.2 million for the period from January 1, 1998 through December 23, 1998. The increase in revenues that resulted from cable television customer growth was not sufficient to offset the operating expenses related to the acquisition of Sonic.

1997 COMPARED TO 1996

REVENUES. Revenues increased by $4.0 million, or 26.8%, from $14.9 million in 1996 to $18.9 million in 1997. The primary reason for this increase is the acquisition of five cable systems in 1996 that increased customers by 58.9%.

Revenues of Charter Communications Properties, excluding the activity of any other systems acquired during the periods, increased by $0.7 million, or 8.9%, from $7.9 million in 1996 to $8.6 million in 1997.

OPERATING EXPENSES. Operating expenses increased by $3.3 million, or 55.5%, from $5.9 million in 1996 to $9.2 million in 1997. This increase was primarily due to the acquisitions of the cable systems in 1996 and the loss of $1.4 million on the sale of a cable system in 1997.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased by $0.4 million, or 16.8%, from $2.2 million in 1996 to $2.6 million in 1997. This increase was primarily due to the acquisitions of the cable systems in 1996.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased by $1.5 million, or 32.9%, from $4.6 million in 1996 to $6.1 million in 1997. There was a significant increase in amortization resulting from the acquisitions of the cable systems in 1996.

MANAGEMENT FEES/CORPORATE EXPENSE CHARGES. Corporate expense charges increased by $0.2 million, or 26.9%, from $0.4 million in 1996 to $0.6 million in 1997. These fees were 3.0% of revenues in both 1996 and 1997.

INTEREST EXPENSE. Interest expense increased by $0.7 million, or 16.0%, from $4.4 million in 1996 to $5.1 million in 1997. This increase resulted primarily from the indebtedness incurred in connection with the acquisitions of several cable systems in 1996.

NET LOSS. Net loss increased by $1.9 million, or 69.8%, from $2.7 million in 1996 to $4.6 million in 1997. The increase in net loss is primarily related to the $1.4 million loss on the sale of a cable system.

OUTLOOK

Our business strategy emphasizes the increase of our operating cash flow by increasing our customer base and the amount of cash flow per customer. We believe that there are significant advantages in increasing the size and scope of our operations, including:

- improved economies of scale in management, marketing, customer service, billing and other administrative functions;

- reduced costs for our cable systems and our infrastructure in general;

- increased leverage for negotiating programming contracts; and

- increased influence on the evolution of important new technologies affecting our business.

We seek to "cluster" cable systems in suburban and ex-urban areas surrounding selected metropolitan markets. We believe that such "clustering" offers significant opportunities to increase operating efficiencies and to improve operating margins and cash flow by spreading fixed costs over an expanding subscriber base. In addition, we believe that by concentrating "clusters" in markets, we will be able to generate higher growth in revenues and operating cash flow. Through strategic acquisitions and "swaps" of cable systems, we seek to enlarge the coverage of our current areas of operations, and, if feasible, develop "clusters" in new geographic areas within existing regions. Swapping of cable systems allows us to trade systems that do not coincide with our operating strategy while gaining systems that meet our objectives. Several significant swaps have been announced. These swaps have demonstrated the industry's trend to cluster operations. To date, Charter Holdings has participated in one swap in connection with the transaction with InterMedia. We are currently negotiating other possible swap transactions.

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, equity contributions, borrowings under our credit facilities and debt and equity financings.

Our historical cash flows from operating activities for 1998 were $30.2 million, and for the six months ended June 30, 1999 were $145.8 million. Pro forma for our recent and pending acquisitions and the merger of Marcus Holdings with Charter Holdings, our cash flows from operating activities for 1998 were $725.2 million, and for the six months ended June 30, 1999 were $451.1 million.

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 converters. Converters are set-top devices added in front of a subscriber's television receiver to change the frequency of the cable television signals to a suitable channel. The television receiver is then able to tune and to allow access to premium service.

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 and interactive services.

For the period from January 1, 2000 to December 31, 2002, we plan to spend approximately $5.5 billion for capital expenditures, approximately $2.9 billion of which will be used to upgrade and rebuild our systems to bandwidth capacity of 550 megahertz or greater and add two-way capability, so that we may offer advanced services. The remaining $2.6 billion will be used for extensions of systems, development of new products and services, converters and system maintenance. Capital expenditures for 2000, 2001 and 2002 are expected to be approximately $1.5 billion, $2.0 billion and $2.0 billion, respectively. We currently expect to finance approximately 80% of the anticipated capital expenditures with cash generated from operations and approximately 20% with additional borrowings under credit facilities. We cannot assure you that these amounts will be sufficient to accomplish our planned system upgrade, expansion and maintenance. See "Risk Factors -- We may not be able to obtain capital sufficient to fund our planned upgrades and other capital expenditures". This 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.

Capital expenditures for 1999, pro forma for recent and pending acquisitions, are expected to be approximately $1.048 billion. For the six months ended June 30, 1999, we made capital expenditures, excluding the acquisition of cable systems, of $206 million. Those expenditures were funded from cash flows from operations and credit facilities borrowings. The majority of the capital expenditures related to rebuilding existing cable systems.

FINANCING ACTIVITIES

As of June 30, 1999, pro forma for the pending acquisitions and acquisitions completed since that date, our total debt was approximately $13.1 billion. Our significant amount of debt may adversely affect our ability to obtain financing in the future and react to changes in our business. Our debt and credit facilities contain and the credit facilities that we expect to enter into and debt that we expect to assume in connection with the pending acquisitions will contain, various financial and operating covenants that could adversely impact our ability to operate our business, including restrictions on the ability of operating subsidiaries to distribute cash to their parents. See "-- Certain Trends and Uncertainties -- Restrictive Covenants" and "Description of Certain Indebtedness", for further information and a more detailed description of our debt and the debt that we will assume or refinance in connection with our pending acquisitions.

CHARTER HOLDINGS NOTES. On March 17, 1999, Charter Holdings issued $3.6 billion principal amount of senior notes. The net proceeds of approximately $2.99 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 recent acquisitions.

Semi-annual interest payments with respect to the 8.250% notes and the 8.625% notes will be approximately $89.4 million, commencing on October 1, 1999. No interest on the 9.920% notes will be payable prior to April 1, 2004. Thereafter, semi-annual interest payments on the three series of senior notes will be approximately $162.6 million in the aggregate, commencing on October 1, 2004. Charter Holdings and its wholly owned subsidiary, Charter Communications Capital Corporation, recently completed an offer to exchange the senior notes they issued in March 1999 for senior notes with substantially similar terms, except that the new notes are registered and are not subject to restrictions on transfer. With the exception of $120,000 principal amount of the 8.625% notes, all of the Charter Holdings notes were exchanged for new notes. As of June 30, 1999, $2.1 billion was outstanding under the 8.250% and 8.625% notes, and the accreted value of the 9.920% notes was $931.6 million.

Concurrently with the issuance of the Charter Holdings notes, we refinanced substantially all of our previous credit facilities and Marcus Cable Operating Company, L.L.C.'s credit facilities with new credit facilities entered into by Charter Operating. In February and March 1999, we commenced cash tender offers to purchase the 14% senior discount notes issued by Charter Communications Southeast Holdings, LLC, the 11.25% senior notes issued by Charter Communications Southeast, LLC, the 13.50% senior subordinated discount notes issued by Marcus Cable Operating Company, L.L.C., and the 14.25% senior discount notes issued by Marcus Cable. All notes, except for $1.1 million in principal amount, were paid off for an aggregate amount of $1.0 billion.

CHARTER OPERATING CREDIT FACILITIES. Charter Operating's 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 on March 2008 (Term B). Our credit facilities also provide for a $1.25 billion revolving credit facility with a maturity date of September 2007. As of June 30, 1999, approximately $2.025 billion was outstanding and $2.075 billion was available for borrowing under Charter Operating's credit facilities. In addition, an uncommitted incremental term facility of up to $500 million with terms similar to the terms of Charter Operating's credit facilities is permitted under these credit facilities, but will be conditioned on receipt of additional new commitments from existing and new lenders.

Amounts under Charter Operating's credit facilities bear interest at a base rate or a eurodollar rate, plus a margin up to 2.75%. 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. The weighted average interest rate for outstanding debt on June 30, 1999 was 7.4%. Furthermore, Charter Operating has entered into interest rate protection agreements to reduce the impact of changes in interest rates on our debt outstanding under its credit facilities. See "-- Interest Rate Risk".

RENAISSANCE NOTES. We acquired Renaissance in April 1999. The Renaissance 10% senior discount notes due 2008 had a $163.2 million principal amount at maturity outstanding and $100.0 million accreted value upon issuance. 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 each April 15 and October 15, commencing October 15, 2003. The Renaissance notes are due on April 15, 2008. Due to the change of control of Renaissance, an offer to purchase the Renaissance notes was made at 101% of their accreted value, plus accrued and unpaid interest, on June 28, 1999. Of the $163.2 million face amount of Renaissance notes outstanding, $48.8 million were repurchased. As of June 30, 1999, the accreted value of the Renaissance notes was approximately $82.6 million.

HELICON NOTES. We acquired Helicon in July 1999. As of June 30, 1999, Helicon had outstanding $115.0 million in principal amount of 11% senior secured notes due 2003. On November 1, 1999, we redeemed all of the Helicon notes at a purchase price equal to 103% of their principal amount, plus accrued interest, for $124.8 million.

RIFKIN NOTES. We acquired Rifkin in September 1999. As of June 30, 1999, Rifkin had outstanding $125.0 million in principal amount of 11 1/8% senior subordinated notes due 2006. Interest on the Rifkin subordinated notes is payable semi-annually on January 15 and July 15 of each year. In September 1999, we commenced an offer to purchase any and all of the outstanding Rifkin notes, together with a $3.0 million promissory note payable to Monroe Rifkin, for cash at a premium over the principal amounts. In conjunction with this tender offer, we sought and obtained the consent of a majority in principal amount of the holders of the outstanding Rifkin notes to proposed amendments to the indenture governing the Rifkin notes, which eliminated substantially all of the restrictive covenants. We purchased notes with a total outstanding principal amount of $124.1 million for a total of $140.6 million, including a consent fee of $30 per

$1,000 to the holders who delivered timely consents to amending the indenture. We repurchased the promissory note issued to Monroe Rifkin for $3.4 million.

FALCON DEBENTURES AND NOTES. Falcon has outstanding publicly held debt comprised of 8.375% senior debentures due 2010 and 9.285% senior discount debentures due 2010, as well as 11.56% subordinated notes due 2001. As of June 30, 1999, $375.0 million total principal amount of senior debentures and approximately $15.0 million principal amount of subordinated notes were outstanding and the accreted value of the Falcon senior discount debentures was approximately $308.7 million. Interest on the Falcon senior debentures is payable semi-annually on April 15 and October 15 of each year. No interest on the Falcon senior discount debentures will be payable prior to April 15, 2003. From and after April 15, 2003, the issuers of the senior discount debentures may elect to commence accrual of cash interest payment on any date, and the interest will be payable semi-annually in cash on each April 15 and October 15 thereafter. Interest on the subordinated notes is payable semi-annually on March 31 and September 30 of each year. Our acquisition of Falcon will trigger change of control provisions under the Falcon debentures that will require us to make offers to repurchase these notes at prices equal to 101% of the outstanding principal amounts, plus accrued interest. In addition, our acquisition of Falcon will constitute an event of default under the terms of the Falcon subordinated notes and will give rise, if written notice is given by holders of a majority in outstanding principal amount, to an obligation to repay all outstanding principal and accrued interest on the Falcon subordinated notes, plus a specified premium.

We intend to finance required repayments of Falcon debentures and notes with additional debt financing that has not yet been arranged. We have obtained a commitment from Goldman Sachs Credit Partners L.P. to provide to Falcon bridge loans of up to $750 million to finance these repayments until additional debt financing can be arranged or if additional debt financing is unavailable. For a description of this bridge loan facility, see "Description of Certain Indebtedness".

FALCON CREDIT FACILITIES. In connection with the Falcon acquisition, we have amended and restated, effective upon the closing of the acquisition, the existing Falcon credit facilities providing for available borrowing capacity of $1.25 billion. As of June 30, 1999, $967.0 million was outstanding, $183.0 million was committed and available for borrowing and an additional $110.0 million supplemental revolving facility was committed and will be available for borrowing upon completion of the Falcon acquisition under these credit facilities. It is also our intention to raise commitments for an additional supplemental revolving credit facility in the maximum amount of $240.0 million.

AVALON NOTES. Avalon has 11 7/8% senior discount notes due 2008 and 9 3/8% senior subordinated notes due 2008. As of June 30, 1999, the accreted value of the Avalon 11 7/8% senior discount notes was $118.1 and $150.0 million in total principal 9 3/8% senior subordinated notes remained outstanding. Before December 1, 2003, there will be no payments of cash interest on the 11 7/8% senior discount notes. After December 1, 2003, cash interest on the 11 7/8% senior discount notes will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004. Interest on the 9 3/8% senior subordinated notes is payable semi-annually on June 1 and December 1 of each year. Our acquisition of Avalon will trigger change of control provisions under the Avalon notes that will require us to make an offer to repurchase them at a price equal to 101% of the outstanding principal amounts, plus accrued interest.

AVALON CREDIT FACILITIES. Avalon has credit facilities providing for borrowings of up to approximately $345.0 million. As of June 30, 1999, approximately $177.4 million was outstanding and $167.6 million was available for borrowing under these credit facilities. Because our acquisition of Avalon will trigger the change of control provisions under the Avalon credit facilities and the debt outstanding may become due and payable. We have received commitments from a group of lenders for credit facilities for Avalon providing for borrowings of up to $300.0 million, of which we expect to use $169.0 million to fund a portion of the Avalon purchase price. The closing of these facilities is expected to occur with the closing of the Avalon acquisition.

BRESNAN NOTES. Bresnan has 8% senior notes due 2009 and 9 1/4% senior discount notes due 2009. As of June 30, 1999, $170.0 million in total principal 8% Bresnan senior notes was outstanding and the accreted value of the Bresnan 9 1/4% senior discount notes was $181.8 million. Interest on the 8% senior notes is payable semi-annually on February 1 and August 1 of each year. On and after August 1, 2004, interest on the 9 1/4% senior discount notes will be payable semi-annually in cash on February 1 and August 1 of each year. Our acquisition of Bresnan will trigger change of control provisions under the Bresnan notes that will require us to make an offer to repurchase these notes at a price equal to 101% of the outstanding principal amounts plus accrued interest. We expect that the Bresnan notes will be tendered and that we will repurchase the Bresnan notes with borrowings under credit facilities to be arranged at Bresnan.

BRESNAN CREDIT FACILITIES. Bresnan has credit facilities providing for borrowings of up to $650.0 million. As of June 30, 1999, $500.0 million was outstanding and $150.0 million was available for borrowing under these credit facilities. Because our acquisition of Bresnan will trigger change of control and other provisions under the Bresnan credit facilities, we intend to assume and amend these credit facilities. If we cannot assume and amend these credit facilities, we will be required to refinance the Bresnan credit facilities and repay all outstanding borrowings.

FANCH CREDIT FACILITIES. We are not assuming debt in connection with the Fanch acquisition. We have received commitments from a group of lenders for credit facilities for Fanch providing for borrowings of up to $1.2 billion, of which we expect to use $0.9 billion to fund a portion of the purchase price. The closing of these facilities is expected to occur concurrently with the closing of the Fanch acquisition.

ACQUISITIONS

In the second, third and fourth quarters of 1999, we acquired the Renaissance, American Cable, Greater Media, Helicon, Vista, Cable Satellite, Rifkin and InterMedia cable systems. The total purchase price for these acquisitions was $4.3 billion, including $351 million of assumed debt. We financed the cash portion of the purchase prices for these acquisitions through excess cash from the issuance of the Charter Operating senior notes, borrowings under our credit facilities, capital contributions by Mr. Allen through Vulcan Cable III Inc., and, in the case of InterMedia, through a swap of cable systems valued at $331.8 million and a commitment to transfer an additional cable system valued at $88.2 million.

We have agreed to purchase the Avalon, Fanch, Falcon and Bresnan cable systems. The total purchase price for these acquisitions is $9.9 billion. This amount includes debt of $3.0 billion, as of June 30, 1999. The debt consists of $1.3 billion aggregate principal amount of notes and debentures and $1.7 billion of credit facility borrowings that are subject to change of control provisions which will be triggered by these pending acquisitions. We intend to finance these acquisitions and required debt repayments, in part, with the proceeds of the offering, Mr. Allen's equity contributions through Vulcan Cable III Inc. to Charter Communications Holding Company, borrowings under committed credit facilities at Fanch, Avalon and Falcon, and the issuance to certain Falcon and Bresnan sellers of between $1.425 and $1.55 billion in membership units of Charter Communications Holding Company.

In August 1999, Vulcan Cable III Inc. contributed to Charter Communications Holding Company $500 million in cash and, in September 1999, an additional $825 million, of which approximately $644.3 million was in cash and approximately $180.7 million was in the form of equity interests acquired by Vulcan Cable III Inc. in connection with the Rifkin acquisition. In addition, Mr. Allen has agreed to make a $750 million equity investment in Charter Communications Holding Company at the closing of the offering for membership units at the initial public offering price less the underwriting discount. We plan to fund required repurchases of the approximately $0.7 billion of outstanding Falcon debentures and notes that are put to us with borrowings under the committed Falcon bridge loan facility, or other debt financing if available.

Available and committed sources of funds will not be sufficient to consummate our pending acquisitions and fund related obligations. In connection with our acquisitions, we may need to raise additional amounts up to a total of approximately $4.36 billion.

We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facility borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion in Bresnan notes that we expect to be put to us in connection with required change of control offers for these notes.

In addition, we will have to raise approximately $2.64 billion of additional financing if we are required to pay:

- approximately $0.71 billion to repurchase outstanding notes of Falcon if committed bridge loan financing does not close;

- approximately $0.27 billion to repurchase outstanding notes of Avalon;

- approximately $1.57 billion to repurchase equity interests issued or to be issued to specified sellers in connection with a number of our acquisitions; and

- approximately $0.09 billion to InterMedia if we do not obtain timely regulatory approvals for our transfer to InterMedia of an Indiana cable system and we are unable to transfer replacement systems.

We cannot assure you that we will be able to raise the financing necessary to consummate our pending acquisitions and to satisfy the obligations described above. If we are unable to raise the financing necessary to satisfy any or all of these obligations, we may be unable to close our pending acquisitions and could be in default under one or more other obligations. In any such case, the relevant sellers or creditors could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for any damages they suffer as a result of our non-performance. Any such action could trigger defaults under our other obligations, including our credit facilities and debt instruments.

For a description of our recently completed and pending acquisitions, see "Business -- Acquisitions".

The following table sets forth the anticipated sources and uses of funds (in millions) as of the anticipated closing dates for our pending acquisitions and acquisitions closed since June 30, 1999 based on the following assumptions:

(1) Mr. Allen, through Vulcan Cable III Inc., had made a total equity contribution of $1.325 billion to Charter Communications Holding Company in exchange for membership units;

(2) Mr. Allen, through Vulcan Cable III Inc., had purchased membership units from Charter Communications Holding Company for $750 million;

(3) the initial public offering price per share is $18.00, which is the mid-point of the range appearing on the cover of this prospectus;

(4) all of the Helicon and Rifkin notes had been purchased through tender offers;

(5) we had arranged new credit facilities at Falcon, Avalon and Fanch for which we have received commitments;

(6) we had raised additional financing by borrowing under credit facilities at Bresnan that have not yet been arranged;

(7) the Avalon notes had not been put to us as permitted by the indentures pursuant to change of control provisions;

(8) the Falcon bridge loan facility will close;

(9) all of the Falcon and Bresnan notes and debentures had been put to us as permitted by the respective indentures pursuant to change of control provisions. We expect to repurchase the Falcon notes and debentures with proceeds from the Falcon bridge loan facility. We expect to repurchase the

Bresnan notes with proceeds from new credit facilities that we assume will be arranged at Bresnan;

(8) $425 million of Falcon's purchase price had been paid in the form of membership units in Charter Communications Holding Company. Up to $550 million of the purchase price may, at the option of specified Falcon sellers, be paid in the form of membership units; and

(9) pending acquisitions had been funded with additional debt that is not arranged at this time.

| SOURCES: | | |
|---|---|---|
| Borrowings under Charter Operating's credit facilities | | $ 1,579 |
| Publicly held debt (anticipated principal amount and accreted value at closing of acquisitions): | | |
| 9.375% senior subordinated notes -- Avalon | $ 150 | |
| 11.875% senior discount notes -- Avalon | 123 | 273 |
| Anticipated borrowings under acquired companies' committed credit facilities at closing date of acquisitions: | | |
| Falcon | 1,011 | |
| Avalon | 169 | |
| Fanch | 875 | 2,055 |
| Anticipated financing to be arranged by Bresnan and Charter Communications Holding Company or Charter Communications, Inc. in connection with the Bresnan acquisition | | 1,732 |
| Falcon bridge loan facility | | 712 |
| Gross proceeds from offering | | 3,060 |
| Helicon preferred limited liability company interest | | 25 |
| Funded and expected equity contributions: | | |
| Rifkin preferred equity | 133 | |
| Falcon equity | 425 | |
| Bresnan equity | 1,000 | |
| Mr. Allen contributed equity | 1,325 | |
| Mr. Allen committed equity | 750 | 3,633 |
| | | $13,069 |

| USES: | |
|---|---|
| Payments for pending acquisitions and acquisitions closed since June 30, 1999: | |
| Helicon | $ 550 |
| Vista and Cable Satellite | 148 |
| Rifkin | 1,460 |
| InterMedia | 904 |
| Avalon (less escrow deposit of $50) | 795 |
| Fanch | 2,400 |
| Falcon | 3,550 |
| Bresnan | 3,100 |
| Underwriting discounts and estimated offering expenses | 162 |
| | $13,069 |

CERTAIN TRENDS AND UNCERTAINTIES

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

SUBSTANTIAL LEVERAGE. As of June 30, 1999, pro forma for our pending acquisitions and acquisitions completed since that date, our total debt was approximately $13.1 billion and our total stockholders' equity was approximately $2.8 billion. We anticipate incurring substantial additional debt in the future to fund the expansion, maintenance and the upgrade of our systems.

Our ability to make payments on our debt and to fund our planned capital expenditures for upgrading our cable systems, our pending acquisitions and our ongoing operations will depend on our ability to generate cash and secure financing in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. There can be no assurance 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 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. A significant portion of our debt bears interest at variable rates that are linked to short-term interest rates. In addition, a significant portion of our assumed debt or debt we expect to arrange in connection with our pending acquisitions will bear interest at variable rates. If interest rates rise, our costs relative to those obligations will also rise. See later discussion on "Interest Rate Risk".

RESTRICTIVE COVENANTS. Our debt and credit facilities contain and the facilities that we expect to enter into and debt that we expect to assume in connection with the pending acquisitions will contain a number of significant covenants that, among other things, restrict the ability of our subsidiaries to:

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

In addition, each of the credit facilities requires the particular borrower 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 outstanding debt securities may adversely affect our growth, our financial condition and our results of operations.

IMPORTANCE OF GROWTH STRATEGY AND RELATED RISKS. We expect that a substantial portion of any of our future growth will be achieved through revenues from additional services and the acquisition of additional cable systems. We cannot assure you that we will be able to offer new services successfully to our customers or that those new services will generate revenues. In addition, the acquisition of additional cable systems may not have a positive net impact on our operating results. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, risks associated with unanticipated events or liabilities and difficulties in assimilation of the operations of the acquired companies, some or all of which could have a material adverse effect on our business, results of operations and financial condition. 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. As a result of the acquisition of the Charter companies by Paul G. Allen, our merger with Marcus Holdings and our recent and pending acquisitions, we have experienced and will continue to experience 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. Historically, acquired entities have had minimal employee benefit related costs and all benefit plans have been terminated with acquired employees transferring to our 401(k) plan. No significant severance cost is expected in conjunction with the recent and pending acquisitions. 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.

In connection with our pending acquisitions, we have formed multi-disciplinary teams to formulate plans for establishing customer service centers, identifying property, plant and equipment requirements and possible reduction of headends. Headends are the control centers of a cable television system, where incoming signals are amplified, converted, processed and combined for transmission to customers. These teams also determine market position and how to attract talented personnel. Our goals include rapid transition in achieving performance objectives and implementing "best practice" procedures.

REGULATION AND LEGISLATION. Cable systems are extensively regulated at the federal, state, and local level. These regulations have increased the administrative and operational expenses of cable television systems and affected the development of cable competition. Rate regulation of cable systems has been in place since passage of the Cable Television Consumer Protection and Competition Act of 1992, although the scope of this regulation recently was sharply contracted. Since March 31, 1999, rate regulation exists only with respect to the lowest level of basic cable service and associated equipment. Basic cable service is the service that cable customers receive for a threshold fee. This service usually includes local television stations, some distant signals and perhaps one or more non-broadcast services. 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 users, and unaffiliated commercial leased access programmers. This carriage burden could increase in the future, particularly if the Federal Communications Commission were to require cable systems to carry both the analog and digital versions of local broadcast signals or if it were to allow unaffiliated Internet service providers seeking direct cable access to invoke commercial leased access rights originally devised for video programmers. The Federal Communications Commission is currently conducting proceedings in which it is considering both of these channel usage possibilities.

There is also uncertainty whether local franchising authorities, the Federal Communications Commission, 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.

POSSIBLE SECTION 5 AND CONTRACTUAL REPURCHASE OBLIGATIONS. The Rifkin sellers who acquired preferred membership units in connection with the Rifkin acquisition, the Falcon and Bresnan sellers who will acquire membership units in the Falcon and Bresnan acquisitions and the Helicon sellers who are acquiring Class A common stock in the directed share program may have rescission rights against Charter Communications, Inc. and/or Charter Communications Holding Company arising out of possible violations of Section 5 of the Securities Act in connection with the offers and sales of these equity interests. Rifkin sellers who hold preferred membership units also have the right to cause Charter Communications Holding Company to redeem these securities. If all of these sellers successfully exercised their possible rescission rights, we would be required to repurchase these equity securities for up to approximately $1.6 billion. This amount would increase to approximately $1.7 billion if the Falcon sellers elect to receive an additional $125 million in Charter Communications Holding Company membership units. If we failed to satisfy these obligations, these sellers could initiate legal proceedings against us, including under bankruptcy and reorganization laws, for damages suffered by them as a result of our non-performance. Any such failure could trigger defaults under our other obligations, including our credit facilities and other debt instruments.

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 our credit facilities. 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.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of December 31, 1998 (dollars in thousands):

| | EXPECTED MATURITY DATE | | | | | | | FAIR VALUE AT DECEMBER 31, |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | THEREAFTER | TOTAL | 1998 |
| DEBT | | | | | | | | |
| Fixed Rate | -- | -- | -- | -- | -- | $ 271,799 | $ 271,799 | $ 271,799 |
| Average Interest Rate | -- | -- | -- | -- | -- | 13.5% | 13.5% | |
| Variable Rate | $ 10,450 | $ 21,495 | $ 42,700 | $113,588 | $157,250 | $1,381,038 | $1,726,521 | $1,726,521 |
| Average Interest Rate | 6.0% | 6.1% | 6.3% | 6.5% | 7.2% | 7.6% | 7.2% | |
| INTEREST RATE INSTRUMENTS | | | | | | | | |
| Variable to Fixed Swaps | $130,000 | $255,000 | $180,000 | $320,000 | $370,000 | $ 250,000 | $1,505,000 | $ (28,977) |
| Average Pay Rate | 4.9% | 6.0% | 5.8% | 5.5% | 5.6% | 5.6% | 5.6% | |
| Average Receive Rate | 5.0% | 5.0% | 5.2% | 5.2% | 5.4% | 5.4% | 5.2% | |
| Caps | $ 15,000 | -- | -- | -- | -- | -- | $ 15,000 | -- |
| Average Cap Rate | 8.5% | -- | -- | -- | -- | -- | 8.5% | |
| Collar | -- | $195,000 | $ 85,000 | $ 30,000 | -- | -- | $ 310,000 | $ (4,174) |
| Average Cap Rate | -- | 7.0% | 6.5% | 6.5% | -- | -- | 6.8% | |
| Average Floor Rate | -- | 5.0% | 5.1% | 5.2% | -- | -- | 5.0% | |

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts. Interest rates on variable debt are estimated using the average implied forward London Interbank Offering Rate (LIBOR) rates for the year of maturity based on the yield curve in effect at December 31, 1998. While swaps, caps and collars represent an integral part of our interest rate risk management program, their incremental effect on interest expense for the years ended December 31, 1998, 1997, and 1996 was not significant.

In March 1999, substantially all existing long-term debt, excluding borrowings of our previous credit facilities, was extinguished, and all previous credit facilities were refinanced with the borrowings under credit facilities of Charter Operating. The following table sets forth the fair values and contract terms of the long-term debt maintained by us as of June 30, 1999 (dollars in thousands):

| | EXPECTED MATURITY DATE | | | | | | | FAIR VALUE AT JUNE 30, |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | 1999 | 2000 | 2001 | 2002 | 2003 | THEREAFTER | TOTAL | 1999 |
| DEBT | | | | | | | | |
| Fixed Rate......................... | -- | -- | -- | -- | -- | $3,109,310 | $3,109,310 | $3,010,000 |
| Average Interest Rate............. | -- | -- | -- | -- | -- | 9.0% | 9.0% | |
| Variable Rate...................... | -- | -- | -- | $25,313 | $39,375 | $1,960,312 | $2,025,000 | $2,025,000 |
| Average Interest Rate............. | -- | -- | -- | 6.5% | 6.5% | 6.8% | 6.8% | |

Interest rates on variable debt are estimated using the average implied forward LIBOR rates for the year of maturity based on the yield curve in effect at June 30, 1999.

We expect that the terms of the debt that we assume or expect to arrange in connection with the pending acquisitions, primarily our expected new credit facilities, will require us to use interest rate management instruments to partially hedge our exposure to variable interest rates. We expect to use interest rate exchange agreements, interest rate cap agreements and interest rate collar agreements similar to those we currently use.

YEAR 2000 ISSUES

GENERAL. Many existing computer systems and applications, and other control devices and embedded computer chips use only two digits, rather than four, to identify a year in the date field, failing to consider the impact of the upcoming change in the century. Computer chips are the physical structure upon which integrated circuits are fabricated as components of systems, such as telephone systems, computers and memory systems. As a result, such systems, applications, devices, and chips could create erroneous results or might fail altogether unless corrected to properly interpret data related to the year 2000 and beyond. These errors and failures may result, not only from a date recognition problem in the particular part of a system failing, but may also result as systems, applications, devices and chips receive erroneous or improper data from third-parties suffering from the year 2000 problem. In addition, two interacting systems, applications, devices or chips, each of which has individually been fixed so that it will properly handle the year 2000 problem, could nonetheless result in a failure because their method of dealing with the problem is not compatible.

These problems are expected to increase in frequency and severity as the year 2000 approaches. This issue impacts our owned or licensed computer systems and equipment used in connection with internal operations, including:

- information processing and financial reporting systems;

- customer billing systems;

- customer service systems;

- telecommunication transmission and reception systems; and

- facility systems.

THIRD PARTIES. We also rely directly and indirectly, in the regular course of business, on the proper operation and compatibility of third party systems. The year 2000 problem could cause these systems to fail, err, or become incompatible with our systems.

If we or a significant third party on which we rely fails to become year 2000 ready, or if the year 2000 problem causes our systems to become internally incompatible or incompatible with such third party systems, our business could suffer from material disruptions, including the inability to process transactions, send invoices, accept customer orders or provide customers with our cable services. We could also face similar disruptions if the year 2000 problem causes general widespread problems or an economic crisis. We cannot now estimate the extent of these potential disruptions.

STATE OF READINESS. We are addressing the year 2000 problem with respect to our internal operations in three stages:

(1) conducting an inventory and evaluation of our systems, components, and other significant infrastructure to identify those elements that we reasonably believe could be expected to be affected by the year 2000 problems. This stage has been completed;

(2) remediating or replacing equipment that, based upon such inventory and evaluation, we believe may fail to operate properly in the year 2000. This stage is substantially complete; and

(3) testing of the remediation and replacement conducted in stage two. This stage is substantially complete.

Much of our assessment efforts in stage one have involved, and depend on, inquiries to third party service providers, suppliers and vendors of various parts or components of our systems. We have obtained certifications from third party service providers, suppliers and vendors as to the readiness of mission critical elements and we are in the process of obtaining certifications of readiness as to non-mission critical elements. Certain of these third parties that have certified the readiness of their products will not certify their interoperability within our fully integrated systems. We cannot assure you that these technologies of third parties, on which we rely, will be year 2000 ready or timely converted into year 2000 compliant systems compatible with our systems. Moreover, because a full test of our systems, on an integrated basis, would require a complete shut down of our operations, it is not practicable to conduct such testing. However, we have utilized a third party, in cooperation with other cable operators, to test a "mock-up" of our major billing and plant components, including pay-per-view systems, as an integrated system. We are utilizing another third party to conduct comprehensive testing on our advertising related scheduling and billing systems. In addition, we have evaluated the potential impact of third party failure and integration failure on our systems in developing our contingency plans.

RISKS AND REASONABLY LIKELY WORST CASE SCENARIOS. The failure to correct a material year 2000 problem could result in system failures leading to a disruption in, or failure of certain normal business activities or operations, for example, a failure of our major billing systems and plant components such as our pay-per-view systems. Such failures could materially and adversely affect our results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the year 2000 problem, resulting in part from the uncertainty of the year 2000 readiness of third-party suppliers and customers, we are unable to determine at this time whether the consequences of year 2000 failures will have a material impact on our results of operations, liquidity or financial condition. However, our year 2000 taskforce has significantly reduced our level of uncertainty about the year 2000 problem and, in particular, about the year 2000 compliance and readiness of our material vendors.

We are in the process of acquiring certain cable television systems, and have negotiated certain contractual rights in the acquisition agreements relating to the year 2000 issue. We have included the acquired cable television systems in our year 2000 taskforce's plan. We are monitoring the remediation process for systems we are acquiring to ensure completion of remediation before or as we acquire these systems. We have found that these companies are following a three stage process similar to that outlined above and are on a similar time line. We are not currently aware of any likely material system failures relating to the year 2000 affecting the acquired systems.

CONTINGENCY AND BUSINESS CONTINUATION PLAN. Our year 2000 plan calls for suitable contingency planning for our at-risk business functions. We normally make contingency plans in order to avoid interrupted service providing video, voice and data products to our customers. We also plan to distribute detailed guidelines outlining remedial actions for year 2000 failure of any component of our systems which is critical to the transport of our signal by mid-November. This includes a communications plan to our key personnel in the event of a year 2000 failure so as to accelerate remediation actions throughout the company.

COST. We have incurred $5.6 million in costs to date directly related to addressing the year 2000 problem. We have redeployed internal resources and have selectively engaged outside vendors to meet the goals of our year 2000 program. We currently estimate the total cost of our year 2000 remediation programs, including pending acquisitions, to be approximately $9.8 million.

OPTIONS

In accordance with an employment agreement between Charter Investment, Inc. and Jerald L. Kent, the President and Chief Executive Officer of Charter Investment, Inc. and a related option agreement between Charter Communications Holding Company and Mr. Kent, an option to purchase 3% of the equity value of all cable systems managed by Charter Investment, Inc. on the date of the grant, or 7,044,127 membership units, were issued to Mr. Kent. 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, which was assumed by Charter Communications Holding Company in May 1999, providing for the grant of options to purchase up to 25,009,798 Charter Communications Holding Company membership units. The option plan provides for grants of options to employees and consultants of Charter Communications Holding Company and its affiliates. Options granted will be fully vested after five years from 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.

Following the closing of the offering, membership units received upon exercise of the options will be automatically exchanged for shares of Class A common stock of Charter Communications, Inc. on a one-for-one basis.

| | OPTIONS OUTSTANDING | | | | OPTIONS EXERCISABLE |
|---|---|---|---|---|---|
| | NUMBER OF OPTIONS | EXERCISE PRICE | TOTAL DOLLARS | REMAINING CONTRACT LIFE (IN YEARS) | NUMBER OF OPTIONS |
| Outstanding as of January 1, 1999(1) | 7,044,127 | $20.00 | $140,882,540 | 9.2 | 1,761,032 |
| Granted: | | | | | |
| February 9, 1999(2) | 9,111,681 | 20.00 | 182,233,620 | | -- |
| April 5, 1999(2) | 473,000 | 20.73 | 9,805,290 | | -- |
| Cancelled | (378,400) | 20.00-20.73 | (7,595,886) | | -- |
| Outstanding as of October 15, 1999 | 16,250,408 | $20.02(3) | $325,325,564 | 9.3(3) | 1,761,032 |

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(1) Granted to Jerald L. Kent pursuant to his employment agreement and related option agreement.

(2) Granted pursuant to the option plan.

(3) Weighted average.

Charter Communications Holding Company intends to issue upon the closing of the offering additional options under the plan. The number of options to be issued has not yet been determined. The exercise price for these options will be equal to the initial public offering price per share of Class A common stock in this offering.

We follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to account for the option plans. We recorded stock option compensation expense of $845,000 for the year ended December 31, 1998 and $38.2 million for the six months ended June 30, 1999 in the financial statements since the exercise prices are less than the estimated fair values of the underlying membership units on the date of grant. The estimated fair value was determined using the valuation inherent in Mr. Allen's acquisition of Charter and valuations of public companies in the cable television industry adjusted for factors specific to us. Compensation expense is accrued over the vesting period of each grant that varies from four to five years. As of June 30, 1999, deferred compensation remaining to be recognized in future periods totalled $126 million.

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. 137 "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133 -- An Amendment of FASB No. 133" has delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We have not yet quantified the impacts of adopting SFAS No. 133 on our consolidated financial statements nor have we determined the timing or method of our adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility in earnings (loss).

# BUSINESS

## OVERVIEW

We are the fourth largest operator of cable television systems in the United States, serving approximately 6.2 million customers, after giving effect to our pending acquisitions. We are currently the seventh largest operator of cable television systems in the United States serving approximately 3.7 million customers as of June 30, 1999.

We offer a full range of traditional cable services. Our service offerings include the following programming packages:

- basic programming;

- expanded basic programming;

- premium service; and

- pay-per-view television programming.

As part of our Wired World vision, we are also beginning to offer an array of new services including:

- digital television;

- interactive video programming; and

- high-speed Internet access.

We are also exploring opportunities in telephony.

These new products and services will take advantage of the significant bandwidth of our cable systems. We are accelerating the upgrade of our cable systems to more quickly provide these products and services.

For the year ended December 31, 1998, pro forma for our merger with Marcus Holdings and the acquisitions we completed during 1998 and 1999, our revenues were approximately $1.7 billion. For the six months ended June 30, 1999, pro forma for our merger with Marcus Holdings and the acquisitions we completed during 1999, our revenues were approximately $910 million. Pro forma for our merger with Marcus Holdings and our recent and pending acquisitions, for the year ended December 31, 1998, our revenues would have been approximately $2.7 billion. Pro forma for our merger with Marcus Holdings and our recent and pending acquisitions, for the six months ended June 30, 1999, our revenues would have been approximately $1.4 billion.

Mr. Allen, the principal owner of our ultimate parent company 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 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:

INTEGRATE AND IMPROVE ACQUIRED CABLE SYSTEMS. We seek to rapidly integrate acquired cable systems and apply our core operating strategies to raise the financial and operating performance of these systems. Our integration process occurs in three stages:

SYSTEM EVALUATION. We conduct an extensive evaluation of each system we acquire. This process begins prior to reaching an agreement to purchase the system and focuses on the system's:

- business plan;

- customer service standards;

- management capabilities; and

- technological capacity and compatibility.

We also evaluate opportunities to consolidate headends and billing and other administrative functions. Based upon this evaluation, we formulate plans for customer service centers, plant upgrades, market positioning, new product and service launches and human resource requirements.

IMPLEMENTATION OF OUR CORE OPERATING STRATEGIES. To achieve our high standards for customer satisfaction and financial and operating performance, we:

- attract and retain high quality local management;

- empower local managers with a high degree of day-to-day operational autonomy;

- set key financial and operating benchmarks for management to meet, such as revenue and cash flow per subscriber, subscriber growth, customer service and technical standards; and

- provide incentives to all employees through grants of cash bonuses and stock options.

ONGOING SUPPORT AND MONITORING. We provide local managers with regional and corporate management guidance, marketing and other support for implementation of their business plans. We monitor performance of our acquired cable systems on a frequent basis to ensure that performance goals can be met.

The turn-around in our Fort Worth system, which our management team began to manage in October 1998, is an example of our success in integrating newly acquired cable systems into our operations. We introduced a customer care team that has worked closely with city governments to improve customer service and local government relations, and each of our customer service representatives attended a training program. We also conducted extensive training programs for our technical and engineering, dispatch, sales and support, and management personnel. We held a series of sales events and service demonstrations to increase customer awareness and enhance our community exposure and reputation. We reduced the new employee hiring process from two to three weeks to three to five days.

OFFER NEW PRODUCTS AND SERVICES. We intend to expand the array of products and services we offer to our customers to implement our Wired World vision. Using digital technology, we plan to offer additional channels on our existing service tiers, create new service tiers, introduce multiple packages of premium services and increase the number of pay-per-view channels. We also plan to add digital music services and interactive program guides which are comprehensive guides to television program listings that can be accessed by network, time, date or genre. In addition, we have begun to roll out advanced services, including interactive video programming and high speed Internet access, and we are currently exploring opportunities in telephony. We have entered into agreements with several providers of high speed Internet and other interactive services, including EarthLink Network, Inc., High Speed Access Corp., WorldGate Communications, Inc., Wink Communications, Inc. and Excite@Home Corporation. We have recently entered into a joint venture with Vulcan Ventures Inc. and Go2Net, Inc. to form Broadband Partners, LLC. The purpose of this joint venture is to deliver high speed Internet portal services to our subscribers.

UPGRADE THE BANDWIDTH CAPACITY OF OUR SYSTEMS. Over the next three years, we plan to spend approximately $2.9 billion from 2000 to 2002 to upgrade to 550 megahertz or greater the bandwidth of our cable systems and the systems we acquire through our pending acquisitions and to add two-way capability. Upgrading to at least 550 megahertz of bandwidth capacity will allow us to:

- offer advanced services, such as digital television, Internet access and other interactive services;

- increase channel capacity up to 82 channels, or even more programming channels if some of our bandwidth is used for digital services; and

- permit two-way communication which will give our customers the ability to send and receive signals over the cable system so that high speed cable services, such as Internet access, will not require a separate telephone line.

As of June 30, 1999, approximately 57% of our customers were served by cable systems with at least 550 megahertz bandwidth capacity, and approximately 34% of our customers had two-way communication capability. By year-end 2003, including all recent and pending acquisitions, we expect that approximately 94% of our customers will be served by cable systems with at least 550 megahertz bandwidth capacity and two-way communication capability.

Our planned upgrades are designed to reduce the number of headends from 1,267 in 1999 to 479 in 2003, including our pending acquisitions. Reducing the number of headends will reduce headend equipment and maintenance expenditures and, together with other upgrades, will provide enhanced picture quality and system reliability. In addition by year-end 2003, including all pending acquisitions, we expect that approximately 95% of our customers will be served by headends serving at least 5,000 customers.

MAXIMIZE CUSTOMER SATISFACTION. To maximize customer satisfaction, we operate our business to provide reliable, high-quality products and services, superior customer service and attractive programming choices at reasonable rates. We have implemented stringent internal customer service standards which we believe meet or exceed those established by the National Cable Television Association, which is the Washington, D.C.-based trade association for the cable television industry. 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 products and services.

EMPLOY INNOVATIVE MARKETING. We have developed and successfully implemented a variety of innovative marketing techniques to attract new customers and increase revenue per customer. Our marketing efforts focus on tailoring Charter branded entertainment and information services that provide value, choice, convenience and quality to our customers. We use demographic "cluster codes" to address messages to target audiences through direct mail and telemarketing. Cluster codes identify customers by marketing type such as young professionals, retirees or families. In addition, we promote our services on radio, in local newspapers and by door-to-door selling. In many of our systems, we offer discounts to customers who purchase multiple premium services such as Home Box Office or Showtime. We also have a coordinated strategy for retaining customers that includes televised retention advertising to reinforce the link between quality service and the Charter brand name and to encourage customers to purchase higher service levels. Successful implementation of these marketing techniques has contributed to internal customer growth rates in excess of the cable industry average in each year from 1996 through 1998 for the systems we owned in each of those years. We have begun to implement our marketing programs in all of the systems we have recently acquired.

EMPHASIZE LOCAL MANAGEMENT AUTONOMY WHILE PROVIDING REGIONAL AND CORPORATE SUPPORT AND CENTRALIZED FINANCIAL CONTROLS. Our local cable systems are organized into seven operating regions. A regional management team oversees local system operations in each region. We believe that a strong management presence at the local system level:

- improves our customer service;

- increases our ability to respond to customer needs and programming preferences;

- reduces the need for a large centralized corporate staff;

- fosters good relations with local governmental authorities; and

- strengthens community relations.

Our regional management teams work closely with both local managers and senior management in our corporate office to develop budgets and coordinate marketing, programming, purchasing and engineering activities. Our centralized financial management enables us to set financial and operating benchmarks and monitor performance on an ongoing basis. In order to attract and retain high quality managers at the local and regional operating levels, we provide a high degree of operational autonomy and accountability and cash and equity-based compensation. Charter Communications Holding Company has adopted a plan to distribute to employees and consultants, including members of corporate management and key regional and system-level management personnel, options exercisable for up to 25,009,798 Charter Communications Holding Company membership units.

CONCENTRATE OUR SYSTEMS IN TIGHTER GEOGRAPHICAL CLUSTERS. To improve operating margins and increase operating efficiencies, we regularly seek to improve the geographic clustering of our cable systems by selectively swapping our cable systems for systems of other cable operators or acquiring systems in close proximity to our systems. We believe that by concentrating our systems in clusters, we will be able to generate higher growth in revenues and operating cash flow. Clustering enables us to consolidate headends and spread fixed costs over a larger subscriber base. We are negotiating with several other cable operators whose systems we consider to be potential acquisition or swapping candidates.

ORGANIZATIONAL STRUCTURE

Each of the entities in our organizational structure and how it relates to us is described below. In our discussion of the following entities, we make the same assumptions as described on page 4 with respect to our organizational chart.

CHARTER COMMUNICATIONS, INC. Charter Communications, Inc. is a holding company whose principal asset after completion of the offering will be an approximate 31% equity interest and a 100% voting interest in Charter Communications Holding Company. Charter Communications, Inc.'s only business will be acting as the sole manager of Charter Communications Holding Company and its subsidiaries. As sole manager of Charter Communications Holding Company, Charter Communications, Inc. will control the affairs of Charter Communications Holding Company and its subsidiaries. Immediately following the offering, the holders of the Class A common stock will own more than 99.9% of Charter Communications, Inc.'s outstanding capital stock. However, Mr. Allen, through his ownership of Charter Communications, Inc.'s high vote Class B common stock and his indirect ownership of Charter Communications Holding Company membership units, will control approximately 95% of the voting power of all of Charter Communications, Inc.'s capital stock immediately following the offering. Accordingly, Mr. Allen will be able to elect all of Charter Communications, Inc.'s directors.

VULCAN CABLE III INC. In August 1999, Mr. Allen, through Vulcan Cable III Inc., contributed to Charter Communications Holding Company $500 million in cash and, in September 1999, an additional $825 million, of which approximately $644.3 million was in cash and approximately $180.7 million was in the form of equity interests acquired by Vulcan Cable III Inc. in connection with the Rifkin acquisition, in each case in exchange for membership units at a price per membership unit of $20.73. In addition, Mr. Allen, through Vulcan Cable III Inc., has agreed to make a $750 million equity contribution to Charter Communications Holding Company at the closing of the offering. He will pay a purchase price per membership unit equal to the net initial public offering price per share. Mr. Allen owns 100% of the equity of Vulcan Cable III Inc. Vulcan Cable III Inc. will have a 19.6% equity interest and no voting rights in Charter Communications Holding Company.

CHARTER INVESTMENT, INC. Mr. Allen owns approximately 96.8% of the outstanding stock of Charter Investment, Inc. The remaining equity is owned by our founders, Jerald L. Kent, Barry L. Babcock and Howard L. Wood. Charter Investment, Inc. will have a 39.7% equity interest and no voting rights in Charter Communications Holding Company.

FORMER OWNERS OF FALCON AND BRESNAN. Under the terms of the pending Falcon and Bresnan acquisitions, some of the sellers will receive or have the right to receive a portion of their purchase price in Charter Communications Holding Company common membership units rather than in cash. To the extent they receive common membership units, they will be able to exchange these membership units for shares of Class A common stock. These equity holders as a group will have a 9.7% equity interest and no voting rights in Charter Communications Holding Company. Certain sellers under the Rifkin acquisition have received, at their election, preferred membership units of Charter Communications Holding Company, with an approximate value of $133.3 million.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC. Charter Communications Holding Company is the indirect owner of all of our cable systems. It is the direct parent of Charter Holdings and will be the owner of the cable systems to be acquired through four pending acquisitions: Avalon, Fanch, Falcon and Bresnan, as described below. Charter Communications Holding Company has an option plan permitting the issuance to employees and consultants of Charter Communications Holding Company and its affiliates of options exercisable for up to 25,009,798 Charter Communications Holding Company membership units of which 9,206,281 are outstanding. Membership units received upon exercise of these options will be automatically exchanged for Class A common stock. Of these options, 65,000 options have vested and the remaining options will vest prior to April 2000. In addition to options available for grant to our employees under Charter Communications Holding Company's option plan, our chief executive officer has options to purchase 7,044,127 Charter Communications Holding Company membership units. Membership units received upon exercise of these options will be exchangeable for Class A common stock. Of the options granted to our chief executive officer, 25% are immediately exercisable and the remaining 75% will vest in 36 equal monthly installments commencing on January 1, 2000.

CHARTER COMMUNICATIONS HOLDING COMPANY'S PENDING ACQUISITIONS. Charter Communications Holding Company is a party to agreements to acquire cable systems or the companies owning cable systems from the owners of Avalon, Fanch, Falcon and Bresnan.

CHARTER COMMUNICATIONS HOLDINGS, LLC. Charter Holdings is a co-issuer with Charter Communications Holdings Capital Corporation of $3.6 billion in principal amount of notes sold in March 1999. Charter Holdings owns 100% of Charter Operating.

CHARTER COMMUNICATIONS HOLDINGS CAPITAL CORPORATION. Charter Communications Holdings Capital Corporation is a wholly-owned subsidiary of Charter Holdings.

CHARTER COMMUNICATIONS OPERATING, LLC. Charter Operating is a holding company for all of the cable systems currently owned by Charter Holdings. As of June 30, 1999, Charter Operating was the borrower under credit facilities with total availability of $4.1 billion and had total outstanding borrowings of $2.025 billion.

CHARTER OPERATING COMPANIES. These companies consist of the companies that operate all of the cable systems currently owned by Charter Holdings. These include all recent acquisitions, the systems obtained through the merger of Marcus Holdings with Charter Holdings and the cable systems originally managed by Charter Investment, Inc., namely Charter Communications Properties Holdings, LLC, CCA Group and CharterComm Holdings. Historical financial information is presented separately for these companies.

ACQUISITIONS

Our primary criterion in considering acquisition and swapping opportunities is the financial return that we expect to ultimately realize. We consider each acquisition in the context of our overall existing and planned operations, focusing particularly on the impact on our size and scope and the ability to reinforce our clustering strategy, either directly or through future swaps or acquisitions. Other specific factors we consider in acquiring a cable system are:

- demographic profile of the market as well as the number of homes passed and customers within the system;

- per customer revenues and operating cash flow and opportunities to increase these financial benchmarks;

- proximity to our existing cable systems or the potential for developing new clusters of systems;

- the technological state of such system; and

- the level of competition within the local market.

We believe that there are significant advantages in increasing the size and scope of our operations, including:

- improved economies of scale in management, marketing, customer service, billing and other administrative functions;

- reduced costs for our cable plants and our infrastructure in general;

- increased leverage for negotiating programming contracts; and

- increased influence on the evolution of important new technologies affecting our business.

We believe that as a result of our acquisition strategy and our systems upgrade we will be well-positioned to have cable systems with economies of scale sufficient to allow us to execute our strategy to expand the array of products and services that we offer to our customers as we implement our Wired World vision. We will, however, continue to explore acquisitions and swaps of cable systems that would further complement our existing cable systems and those that we are acquiring in our pending acquisitions.

See "Description of Certain Indebtedness" for a description of the material debt that we have assumed or may assume in connection with our recent and pending acquisitions. For a discussion of the risks associated with our funding requirements resulting from our acquisitions, see "Risk Factors -- Our Acquisitions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources".

MERGER WITH MARCUS HOLDINGS. On April 23, 1998, Mr. Allen acquired approximately 99% of the non-voting economic interests in Marcus Cable Company, L.L.C., and agreed to acquire the remaining interests in Marcus Cable. The aggregate purchase price was approximately $1.4 billion, excluding $1.8 billion in debt assumed. On February 22, 1999, Marcus Holdings was formed, and all of Mr. Allen's interests in Marcus Cable were transferred to Marcus Holdings on March 15, 1999. On March 31, 1999, Mr. Allen completed the acquisition of all remaining interests of Marcus Cable. On April 7, 1999, the holding company parent of the Marcus companies, Marcus Holdings, merged into Charter Holdings, which was the surviving entity of the merger. The subsidiaries of Marcus Holdings became subsidiaries of Charter Operating. During the period of obtaining the requisite regulatory approvals for the transaction, the Marcus systems came under common management with our subsidiaries in October 1998 pursuant to the terms of a management agreement dated as of October 1998.

RECENTLY COMPLETED ACQUISITIONS

RENAISSANCE. In April 1999, one of Charter Holdings' subsidiaries purchased Renaissance Media Group LLC for approximately $459 million, consisting of $348 million in cash and $111 million of assumed debt, consisting of the Renaissance notes. As a result of our acquisition of Renaissance, we recently completed a tender offer for this publicly held debt pursuant to the change of control provisions under the Renaissance notes. Holders of notes representing 30% of the total outstanding principal amount of the notes tendered their notes. See "Description of Certain Indebtedness" for a description of the material restrictive covenants and other terms under the Renaissance notes. Renaissance owns cable systems located in Louisiana, Mississippi and Tennessee, has approximately 129,000 customers and is being operated as part of our Southern region. For the six months ended June 30, 1999, Renaissance had revenues of approximately $30.8 million. For the year ended December 31, 1998, Renaissance had revenues of approximately $41.5 million. Approximately 48% of Renaissance's customers are currently served by systems with at least 550 megahertz bandwidth capacity.

AMERICAN CABLE. In May 1999, one of Charter Holdings' subsidiaries purchased American Cable Entertainment, LLC for approximately $240 million. American Cable owns cable systems located in California serving approximately 69,000 customers and is being operated as part of our Western region. For the six months ended June 30, 1999, American Cable had revenues of approximately $18.0 million. For the year ended December 31, 1998, American Cable had revenues of approximately $15.7 million. None of the American Cable systems' customers is currently served by systems with 550 megahertz bandwidth capacity or greater.

GREATER MEDIA SYSTEMS. In June 1999, one of Charter Holdings' subsidiaries purchased certain cable systems of Greater Media Cablevision Inc. for approximately $500 million. The Greater Media systems are located in Massachusetts, have approximately 175,000 customers and are being operated as part of our Northeast Region. For the six months ended June 30, 1999, the Greater Media systems had revenues of approximately $42.3 million. For the year ended December 31, 1998, the Greater Media systems had revenues of approximately $78.6 million. Approximately 49% of the Greater Media systems' customers are currently served by systems with at least 550 megahertz bandwidth capacity.

HELICON. In July 1999, one of Charter Holdings' subsidiaries acquired Helicon Partners I, L.P. and affiliates for approximately $550 million, consisting of $410 million in cash, $115 million of assumed debt, and $25 million in the form of preferred limited liability company interest of Charter-Helicon LLC, a direct wholly owned subsidiary of Charter Communications, LLC. The holders of the preferred interest have the right to require Mr. Allen to purchase the interest until the fifth anniversary of the closing of the Helicon acquisition. The preferred interest will be redeemable at any time following the fifth anniversary of the Helicon acquisition or upon a change of control, and it must be redeemed on the tenth anniversary of the Helicon acquisition. Helicon owns cable systems located in Alabama, Georgia, New Hampshire, North Carolina, West Virginia, South Carolina, Tennessee, Pennsylvania, Louisiana and Vermont, and has approximately 173,000 customers. For the six months ended June 30, 1999, Helicon had revenues of approximately $43.0 million. For the year ended December 31, 1998, Helicon had revenues of approximately $75.6 million. Approximately 79% of Helicon's customers are currently served by systems with at least 550 megahertz bandwidth capacity. The debt we assumed consisted of publicly held Helicon notes. On November 1, 1999, we redeemed all of the Helicon notes at a price of 103% of the total principal amount of the notes, plus accrued and unpaid interest to the date of redemption. In connection with the acquisition of Helicon, Charter Investment, Inc. entered into separate agreements with Baum Investments, Inc. and with Roberts Cable Corporation, GAK Cable, Inc. and Gimbel Cable Corp., pursuant to which Charter Investment, Inc. has agreed to cause the underwriters to make $12 million worth of shares of our Class A common stock being sold in this offering available for purchase by Baum Investments, Roberts Cable, GAK Cable and Gimbel Cable, at the initial public offering price.

RIFKIN. In September 1999, Charter Operating acquired Rifkin Acquisition Partners L.L.L.P. and InterLink Communications Partners, LLLP for a purchase price of approximately $1.46 billion, consisting of $1.2 billion in cash, $133.3 million in equity and $125.0 million in assumed debt.

In accordance with the terms of the agreements, certain sellers elected to receive a total of $133.3 million of the purchase price in the form of Class A preferred membership units of Charter Communications Holding Company with the following terms:

- The value of the preferred membership units will increase at a rate of 8.0% annually and Charter Communications Holding Company must redeem any preferred membership units outstanding on September 15, 2014.

- In addition, the holders of the preferred membership units have the right to require Charter Communications Holding Company to redeem their preferred membership units in tranches of at least $1 million for a price equal to the current value of their membership units. This right will be exercisable at any time until the earliest to occur of:

  (1) September 15, 2004; and

  (2) a business combination in which the preferred membership units are converted into the right to receive consideration other than securities of Charter Communications Holding Company or its successor.

  If Charter Communications Holding Company defaults on this obligation, Mr. Allen has granted the holders the right to require Mr. Allen to purchase these preferred membership units at the same value. If Mr. Allen or any of his affiliates acquires any preferred membership units, they will automatically be converted into a number of common membership units equal to the value of the preferred membership units at that time divided by the initial public offering price of the Class A common stock.

- The preferred membership units are exchangeable in whole or in part at the option of the Rifkin sellers only concurrently with this offering for shares of our Class A common stock. The preferred membership units are exchangeable for a number of shares of Class A common stock equal to the value of the exchanged portion of the preferred membership units at the time of the offering divided by the initial public offering price. Assuming that this offering closes on or about November 12, 1999, and that the initial offering price is $18.00 per share, the preferred membership units would be exchangeable for up to 7,502,002 shares of Class A common stock. After this offering, the preferred membership units are not exchangeable by the former Rifkin owners into Class A common stock or any other security.

- If the former Rifkin owners exchange their preferred membership units of Charter Communications Holding Company for shares of Charter Communications, Inc. Class A common stock, those preferred membership units will be transferred to Charter Communications, Inc. and will automatically convert into a number of common membership units in Charter Communications Holding Company equal to the number of shares of Class A common stock issued in exchange for the preferred membership units.

Upon the exchange by the Rifkin sellers of any or all of their preferred membership units for shares of Class A common stock, Mr. Allen and the exchanging holders will enter into one of the following agreements:

- If no more than $13.5 million of the preferred membership units issued to the Rifkin sellers remains outstanding at the closing of this offering, Mr. Allen will grant the exchanging holders the right to put their shares of Class A common stock to him at a price equal to the public offering price plus interest at a rate of 4.5% per year. This put right terminates on the second anniversary of this offering, or earlier in specified circumstances.

- In all other instances, Mr. Allen will grant the exchanging holders the right to put their Class A common stock to Mr. Allen for a price equal to the prior day's closing price. This put right terminates thirty days after the Class A common stock is free from the lockup restrictions, or earlier in specified circumstances.

The debt assumed in the Rifkin acquisition consisted of the publicly held Rifkin notes and one individually held promissory note. In September 1999, we commenced an offer to repurchase the Rifkin notes at a premium over their principal amount, plus accrued interest. In connection with this offer to repurchase the Rifkin notes, we obtained consents to amend the related indenture and offered to pay any holder of notes that consented and tendered on or prior to October 1, 1999 an additional $30 for each $1,000 principal amount of notes tendered. We repurchased Rifkin notes with a total outstanding principal amount of $124.1 million for an aggregate purchase price of $140.6 million. In addition, we repurchased the individually held promissory note for $3.4 million. See "Description of Certain Indebtedness" for a description of the material restrictive covenants and other terms of the $900,000 total principal amount of Rifkin notes that remain outstanding.

Rifkin owns cable systems primarily in Florida, Georgia, Illinois, Indiana, Tennessee, Virginia and West Virginia, serving approximately 461,000 customers. For the six months ended June 30, 1999, Rifkin had revenues of approximately $105.6 million. For the year ended December 31, 1998, Rifkin had revenues of approximately $124.4 million. Approximately 30% of the Rifkin systems' customers are currently served by systems with at least 550 megahertz bandwidth capacity.

INTERMEDIA SYSTEMS. In October 1999, Charter Communications, LLC purchased certain cable systems of InterMedia Capital Partners IV, L.P., InterMedia Partners and their affiliates in exchange for approximately $904 million in cash and certain of our cable systems. The InterMedia systems serve approximately 412,000 customers in North Carolina, South Carolina, Georgia and Tennessee. As part of this transaction, we agreed to "swap" some of our non-strategic cable systems serving approximately 144,000 customers located in Indiana, Montana, Utah and northern Kentucky.

At the closing, we retained a cable system located in Indiana serving approximately 30,000 customers for which we were unable to obtain the necessary regulatory approval. We agreed to retain ownership and bear the risk of loss associated with this system until such approvals can be obtained. In the event that the necessary regulatory approvals are not obtained by November 5, 1999, InterMedia may elect to receive other properties from us mutually acceptable to InterMedia and us.

If the necessary regulatory approvals cannot be obtained for the transfer of the Indiana system by November 5, 1999 and we are unable to transfer to InterMedia satisfactory replacement systems before April 1, 2000, we must pay InterMedia $0.1 billion in cash. In addition, if we transfer cash or property other than the retained Indiana system to InterMedia, in certain circumstances, we must indemnify InterMedia and its affiliates 50% of all taxes and associated costs incurred or arising out of any claim that InterMedia suffered tax losses to which it would not have been subject if we had transferred the retained Indiana system in October 1999.

This transaction after giving effect to the transfer of the retained Indiana system will result in a net increase of 268,000 customers concentrated in our Southeast and Southern regions. Approximately 84% of these customers are currently served by systems with at least 550 megahertz bandwidth capacity. For the six months ended June 30, 1999, the InterMedia systems had revenues of approximately $100.6 million. For the year ended December 31, 1998, the InterMedia systems had revenues of approximately $176.1 million.

OTHER ACQUISITIONS. One of Charter Holdings' subsidiaries acquired Vista Broadband Communications, LLC in July 1999 and acquired a cable system of Cable Satellite of South Miami, Inc. in August 1999. These cable systems are located in Georgia and southern Florida and serve a total of approximately 37,000 customers. The total purchase price for these other acquisitions was approximately $148 million in cash. For the six months ended June 30, 1999, the systems acquired in connection with these other acquisitions had revenues of approximately $9.2 million. For the year ended December 31, 1998, these systems had revenues of approximately $15.8 million. Approximately 76% of the Vista and South Miami systems' customers are currently served by 550 megahertz bandwidth capacity.

PENDING ACQUISITIONS

AVALON. In May 1999, Charter Investment, Inc. and Charter Communications Holding Company entered into an agreement to purchase directly and indirectly all of the equity interests of Avalon Cable LLC from Avalon Cable Holdings LLC and Avalon Investors, L.L.C. for approximately $399.5 million in cash and $445.5 million in assumed notes and bank debt. In connection with the consummation of this acquisition, Charter Communications, Inc. has agreed to assume the obligation to acquire the stock of Avalon Cable of Michigan Holdings, Inc. See "Description of Capital Stock and Membership Units -- Membership Units". Avalon Cable operates primarily in Michigan and New England and serves approximately 260,000 customers. For the six months ended June 30, 1999, Avalon Cable had revenues of approximately $51.8 million. For the year ended December 31, 1998, Avalon Cable had revenues of approximately $18.2 million. As of June 30, 1999, there was $150.0 million, $118.1 million and $177.4 million accreted principal outstanding under the Avalon 9 3/8% notes, the Avalon

11 7/8% notes and the Avalon credit facilities, respectively. We will make an offer to repurchase the Avalon 9 3/8% notes and the Avalon 11 7/8% notes. We have received commitments from a group of lenders for credit facilities for Avalon providing for borrowings of up to $300.0 million. We expect to borrow approximately $169.0 million under these credit facilities to fund a portion of the Avalon purchase price. We expect the closing of these facilities to occur concurrently with the closing of the Avalon acquisition. See "Description of Certain Indebtedness" for a description of the material restrictive covenants and other terms of the Avalon indebtedness.

Approximately 15% of the Avalon systems' customers are currently served by systems with at least 550 megahertz bandwidth capacity. Following regulatory approvals, we anticipate that the transaction will close during the fourth quarter of 1999. Either Avalon Cable Holdings, LLC or we may terminate the agreement if the acquisition has not been completed on or prior to March 31, 2000.

FANCH. In May 1999, Charter Investment, Inc. entered into an agreement to purchase the partnership interests of Fanch Cablevision of Indiana, L.P., specified assets of Cooney Cable Associates of Ohio, Limited Partnership, Fanch-JV2 Master Limited Partnership, Mark Twain Cablevision Limited Partnership, Fanch-Narragansett CSI Limited Partnership, North Texas Cablevision, Ltd., Post Cablevision of Texas, Limited Partnership and Spring Green Communications, L.P. and the stock of Tioga Cable Company, Inc., Cable Systems, Inc. and, indirectly, Hornell Television Service, Inc. for a total combined purchase price of approximately $2.4 billion in cash. We have received commitments from a group of lenders for credit facilities for Fanch providing for borrowings of up to $1.2 billion. We expect to use $0.9 billion of this availability to fund a portion of the Fanch purchase price. The closing of these facilities is expected to occur concurrently with the closing of the Fanch acquisition.

Charter Investment, Inc. has assigned its rights and obligations to purchase the stock of Tioga Cable Company, Inc. and Cable Systems, Inc. under this agreement to Charter Communications Holding Company and its rights and obligations to purchase partnership interests and assets under this agreement to Charter Communications VI, LLC, an indirect wholly-owned subsidiary of Charter Communications Holding Company. Under the Fanch purchase agreement, immediately prior to the closing of the Fanch acquisition, certain assets of TWFanch-one Co. will be distributed to Fanch Cablevision of Indiana and Hornell Television Service, Inc. in exchange for all of their partnership interests in TWFanch-one Co. In addition, immediately prior to the closing of the Fanch acquisition, certain assets of TWFanch-two Co. will be distributed to Fanch-JV2 Master and Cooney Cable in exchange for all of their partnership interests in TWFanch-two Co.

The cable television systems to be acquired in this acquisition are located in Colorado, Indiana, Kansas, Kentucky, Michigan, Mississippi, New Mexico, Oklahoma, Texas and Wisconsin, and serve approximately 537,000 customers. For the six months ended June 30, 1999, the cable systems to be acquired had revenues of approximately $98.9 million. For the year ended December 31, 1998, the systems to be acquired had revenues of approximately $141.1 million. Approximately 19% of these systems' customers are currently served by systems with at least 550 megahertz bandwidth capacity. Following regulatory approvals, we anticipate that this transaction will close during the last quarter of 1999. Either we or the sellers may terminate the agreement if the acquisition is not completed on or prior to March 31, 2000.

FALCON. In May 1999, Charter Investment, Inc. entered into an agreement to purchase partnership interests in Falcon Communications, L.P. from Falcon Holding Group, L.P. and TCI Falcon Holdings, LLC, interests in a number of Falcon entities held by Falcon Cable Trust and Falcon Holding Group, Inc., specified interests in Enstar Communications Corporation and Enstar Finance Company, LLC held by Falcon Holding Group, L.P., and specified interests in Adlink held by DHN Inc. Charter Investment, Inc. assigned its rights under the Falcon purchase agreement to Charter Communications Holding Company.

The purchase price for the transaction is approximately $3.6 billion, consisting of cash, membership units in Charter Communications Holding Company and $1.67 billion in assumed debt. We will not be required to repay the Falcon credit facilities but we will be required to make an offer to repurchase the Falcon debentures. In addition, the Falcon acquisition will constitute a default under the Falcon subordinated notes, and a majority of lenders acting together would be entitled to require us to repay the Falcon subordinated notes. We intend to finance required repayments of Falcon debentures and notes with additional debt financing that has not yet been arranged. We have obtained a commitment from Goldman Sachs Credit Partners, L.P. to provide to Falcon bridge loans of up to $750 million to finance these repayments until additional debt financing can be arranged or if additional debt financing is unavailable. See "Description of Certain Indebtedness" for a discussion of the material restrictive covenants and other terms of the Falcon indebtedness, including the Falcon bridge loan facility.

Under the Falcon purchase agreement, Falcon Holding Group, L.P. has agreed to contribute to Charter Communications Holding Company a portion of its partnership interest in Falcon Communications, L.P. in exchange for membership units in Charter Communications Holding Company on the following terms:

- Falcon Holding Group, L.P. may select the amount of its equity in Falcon Communications, L.P. it will transfer in exchange for membership units, subject to minimum and maximum limits. Falcon Holding Group, L.P. can elect to apply any percentage of the value of its interest in Falcon Communications, L.P. but such percentage can not be below 45.3%. The value of Falcon Communications, L.P. used for this purpose increases if Falcon Communications, L.P.'s net assets increase and decreases if Falcon Communications, L.P.'s net assets decrease. Falcon Holding Group, L.P.'s right to transfer interests in Falcon Communications, L.P. is subject to a maximum amount of $550 million. We believe that if the Falcon acquisition closes at the time of this offering, the minimum amount that Falcon Holding Group, L.P. may receive in the form of membership units will be approximately $425 million.

- Falcon Holding Group, L.P. will receive a number of membership units of Charter Communications Holding Company that will result in ownership by Falcon Holding Group, L.P. of a percentage of the outstanding membership units equal to the amount of the purchase price payable in membership units divided by the value of Charter Communications Holding Company. The value of Charter Communications Holding Company for these purposes will be determined according to a formula which values Charter Communications Holding Company at the closing of the acquisition at a specified amount. This amount will decrease if its liabilities increase, and will increase if Charter Communications Holding Company acquires additional assets or agrees to acquire additional assets prior to completion of the Falcon acquisition.

- If the Falcon acquisition is consummated prior to or concurrently with this offering, Falcon Holding Group, L.P. has agreed to exercise its right to exchange the membership units immediately prior to this offering, so long as certain tax requirements are satisfied.

- Assuming that Falcon Holding Group, L.P. elects to exchange the minimum amount of partnership interests for membership units, we estimate that Falcon Holding Group, L.P. would receive 16,194,066 membership units at the closing of the Falcon acquisition, and each membership unit would be valued at $26.24 per unit for these purposes. If Falcon Holding Group, L.P. elects the maximum amount of membership units, we estimate that Falcon Holding Group, L.P. would receive 20,957,521 membership units, and each membership unit would be valued at $26.24.

The Charter Communications Holding Company membership units to be issued to Falcon Holding Group, L.P. are common membership units exchangeable at any time for shares of our Class A common stock. The exchange agreement governing the exchange of the common membership units issued to Falcon Holding Group, L.P. will state that these common membership units are exchangeable for shares of Class A common stock at a value equal to the fair market value of the common membership units. The exchange ratio of common membership units to shares of Class A common stock will be one to one because we have structured Charter Communications, Inc. and Charter Communications Holding Company so that the fair market value of a share of the Class A common stock will equal the fair market value of a common membership unit.

Our organizational documents achieve this result by:

- limiting the assets and liabilities that Charter Communications, Inc. may hold; and

- requiring the number of shares of Charter Communications, Inc. common stock outstanding at any time to equal the number of common membership units owned by Charter Communications, Inc.

If we fail to comply with these provisions or they are changed, the exchange ratio may vary from one to one and will then be based on a pre-determined formula contained in the Falcon exchange agreement. See "Description of Capital Stock and Membership Units" for further information.

The holders of the membership units issued in the Falcon acquisition have the right to require Mr. Allen or his designee to purchase these membership units or shares of Class A common stock of Charter Communications, Inc. issued in exchange for these membership units. The purchase price per unit or share is equal to the aggregate amount of the purchase price of the Falcon acquisition paid in membership units divided by the aggregate number of membership units issued to Falcon Holdings, plus interest of 4.5% per annum. Based on the assumptions described under "Unaudited Pro Forma Financial Statements", this purchase price will initially equal $26.24 per unit or share. These rights terminate upon the second anniversary of the closing of the acquisition, or earlier in specified circumstances.

The Falcon cable systems to be acquired are located in California and the Pacific Northwest, Missouri, North Carolina, Alabama and Georgia and serve approximately 1,008,000 customers. For the six months ended June 30, 1999, the cable systems to be acquired had revenues of approximately $212.2 million. For the year ended December 31, 1998, the cable systems to be acquired had revenues of approximately $307.6 million. As of June 30, 1999, $375.0 million total principal amount of Falcon senior debentures and $15.0 million total principal amount of Falcon subordinated notes were outstanding and the accreted value of the Falcon senior discount debentures was $308.7 million. In addition, $967.0 million was outstanding under the Falcon credit facilities. Approximately 7% of the customers of the systems to be acquired are currently served by systems with at least 550 megahertz bandwidth capacity. Following regulatory approvals, we anticipate that the transaction will close during the fourth quarter of 1999. Either we or the sellers may terminate the agreement if the acquisition is not completed on or prior to November 30, 2000. In connection with the Falcon acquisition, Marc Nathanson will become a director of Charter Communications, Inc.

BRESNAN. In June 1999, Charter Communications Holding Company entered into an agreement to purchase Bresnan Communications Company Limited Partnership for a total purchase price of approximately $3.1 billion. Of this amount, $1.3 billion is in cash and $1.0 billion is in the form of equity in Charter Communications Holding Company. We also agreed to assume debt in the amount of approximately $852 million as of June 30, 1999, consisting of credit facilities borrowings and publicly held notes. We will need to raise approximately $1.72 billion by borrowing under credit facilities at Bresnan that have not yet been arranged and/or by issuing debt or equity securities of Charter Communications, Inc. or Charter Communications Holding Company to fund:

- approximately $0.87 billion of the Bresnan purchase price;

- approximately $0.50 billion in outstanding Bresnan credit facilities borrowings that we would have to repay if we are unable to assume and amend the existing Bresnan credit facilities; and

- approximately $0.35 billion of publicly held notes that we expect to be put to us in connection with required change of control offers for these notes.

See "Description of Certain Indebtedness" for a description of the material restrictive covenants and other terms of the Bresnan indebtedness.

The equity portion of the purchase price will be membership units in Charter Communications Holding Company, the total amount of which was calculated at the time the agreements were executed to equal 6.14% of the total membership units in Charter Communications Holding Company then outstanding. We calculated this percentage interest based on a number of assumptions about Charter Communications Holding Company and our pending acquisitions, including our debt, the value of our pending acquisition targets and the enterprise value of Charter Communications Holding Company. Accordingly, this percentage interest may change at or prior to the closing of the Bresnan acquisition.

Each of the sellers under the Bresnan acquisition agreement shall have the right, during the sixty-day period beginning on the second anniversary of the closing of the Bresnan acquisition, to sell to Mr. Allen their common membership units in Charter Communications Holding Company or the shares of Class A common stock for which these membership units were exchanged. The per unit purchase price for these securities is equal to the aggregate value of the common units issued to the Bresnan sellers at the closing as increased or decreased pursuant to post-closing adjustments, divided by the number of common units so issued, plus interest of 4.5% per annum accrued to date.

The Bresnan sellers will receive a number of membership units so that the Bresnan sellers will own a percentage of the outstanding membership interests equal to $1.0 billion divided by the value of Charter Communications Holding Company. The value of Charter Communications Holding Company for these purposes will be determined according to a formula pursuant to which the value of Charter Communications Holding Company will decrease if its liabilities and preferred equity, including liabilities it expects to incur under new acquisition agreements other than the pending acquisitions, increase. The value of Charter Communications Holding Company for this purpose will increase if additional assets, other than the pending acquisitions, are acquired.

The Bresnan acquisition agreement provides for post-closing adjustments that would change the number of membership units issued to the Bresnan sellers by recalculating the value of Charter Communications Holding Company to reflect the failure to complete any acquisition pending at the time of the Bresnan closing.

We estimate that the Bresnan sellers would receive 36,603,613 membership units at the closing of the Bresnan acquisition, and each membership unit would be valued at $27.32 per unit for these purposes.

The Charter Communications Holding Company membership units to be issued to the Bresnan sellers are common membership units exchangeable at any time for shares of our Class A common stock. So long as we comply with relevant provisions in our organizational documents and these provisions are not changed, the exchange ratio of common membership units for shares of Class A common stock will be one to one, as described above with respect to the Falcon acquisition. See also "Description of Capital Stock and Membership Units" for further information.

The Bresnan cable systems to be acquired in this acquisition are located in Michigan, Minnesota, Wisconsin and Nebraska and serve approximately 656,000 customers. For the six months ended June 30, 1999, the Bresnan cable systems we are buying had revenues of approximately $137.3 million. For the year ended December 31, 1998, these systems had revenues of approximately $262.0 million. Approximately 57% of these systems' customers are currently served by systems with at least 550 megahertz bandwidth capacity. Following regulatory approvals, we anticipate that this transaction will close during the first quarter of 2000. The agreement may be terminated if the acquisition has not been completed on or prior to May 1, 2000.

PRODUCTS AND SERVICES

We offer our customers a full array of traditional cable television services and programming and we have begun to offer new and advanced high bandwidth services such as high-speed Internet access. We plan to continually enhance and upgrade these services, including adding new programming and other telecommunications services, and will continue to position cable television as an essential service.

TRADITIONAL CABLE TELEVISION SERVICES. As of June 30, 1999, more than 87% of our customers subscribe to both "basic" and "expanded basic" service and generally receive a line-up of between 33 and 85 channels of television programming, depending on the bandwidth capacity of the system. Customers who pay additional amounts can also subscribe for additional channels, either individually or in packages of several channels, as add-ons to the basic channels. As of June 30, 1999, approximately 25% of our customers subscribe for premium channels, with additional customers subscribing for other special add-on packages. 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 basic cable services, which generally consist of local broadcast television, local community programming, including governmental and public access, and limited satellite programming. As of June 30, 1999, the average monthly fee was $10.59 for basic service.

- EXPANDED BASIC CABLE. This expanded tier includes a group of satellite-delivered or non-broadcast channels, such as Entertainment and Sports Programming Network (ESPN), Cable News Network (CNN) and Lifetime Television, in addition to the basic channel line-up. For the six months ended June 30, 1999, the average monthly fee was $19.16 for expanded basic service.

- PREMIUM CHANNELS. These channels provide unedited, commercial-free movies, sports and other special event entertainment programming. Home Box Office, Cinemax and Showtime are typical examples. We offer subscriptions to these channels either individually or in packages. For the six months ended June 30, 1999, the average monthly fee was $6.35 per premium subscription.

- PAY-PER-VIEW. These channels allow customers to pay to view a single showing of a recently released movie, a one-time special sporting event or music concerts on an unedited, commercial-free basis. We currently charge a fee that ranges from $2.95 to $8.95 for movies. For special events, such as championship boxing matches, we have charged a fee of up to $50.95.

We have employed a variety of targeted marketing techniques to attract new customers by focusing on delivering value, choice, convenience and quality. We employ direct mail and telemarketing, using demographic "cluster codes" to target specific messages to target audiences. In many of our systems, we offer discounts to customers who purchase premium services on a limited trial basis in order to encourage a higher level of service subscription. We also have a coordinated strategy for retaining customers that includes televised retention advertising to reinforce the decision to subscribe and to encourage customers to purchase higher service levels.

NEW PRODUCTS AND SERVICES. A variety of emerging technologies and the rapid growth of Internet usage have presented us with substantial opportunities to provide new or expanded products and services to our customers and to expand our sources of revenue. The desire for such new technologies and the use of the Internet by businesses in particular have triggered a significant increase in our commercial market penetration. As a result, we are in the process of introducing a variety of new or expanded products and services beyond the traditional offerings of analog television programming for the benefit of both our residential and commercial customers. These new products and services include:

- digital television and its related enhancements;

- high-speed Internet access, through television set-top converter boxes, cable modems installed in personal computers and traditional telephone Internet access;

- interactive services, such as Wink, which adds interactivity and electronic commerce opportunities to traditional programming and advertising; and

- telephony and data transmission services, which are private network services interconnecting locations for a customer.

Cable television's high bandwidth allows cable to be well positioned to deliver a multitude of channels and/or new and advanced products and services. We believe that this high bandwidth will be a key factor in the successful delivery of these products and services.

DIGITAL TELEVISION. As part of upgrading our systems, we are installing headend equipment capable of delivering digitally encoded cable transmissions to a two-way digital-capable set-top converter box 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. This will allow us to increase both programming and service offerings, including near video-on-demand for pay-per-view customers. We expect to increase the amount of services purchased by our customers.

Digital services customers may receive a mix of additional television programming, an electronic program guide and up to 40 channels of digital music. The additional programming falls into four categories which are targeted toward specific markets:

- additional basic channels, which are marketed in systems primarily serving rural communities;

- additional premium channels, which are marketed in systems serving both rural and urban communities;

- "multiplexes" of premium channels to which a customer previously subscribed, such as multiple channels of HBO or Showtime, which are varied as to time of broadcast or varied based on programming content theme which are marketed in systems serving both rural and urban communities; and

- additional pay-per-view programming, such as more pay-per-view options and/or frequent showings of the most popular films to provide near video-on-demand, which are more heavily marketed in systems primarily serving both rural and urban communities.

As part of our current pricing strategy for digital services, we have established a retail rate of $4.95 to $8.95 per month for the digital set-top converter and the delivery of "multiplexes" of premium services, additional pay-per-view channels, digital music and an electronic programming guide. Some of our systems also offer additional basic and expanded basic tiers of service. These tiers of services retail for $6.95 per month. As of June 30, 1999, more than 10,900 of our customers subscribed to the digital service offered by 16 of our cable systems, which served approximately 330,000 basic cable customers. For the month of June 1998, revenue per customer for our digital service was approximately $20.96 and cash flow per customer was $9.63. By December 31, 1999, we anticipate that approximately 2.4 million of our customers will be served by cable systems capable of delivering digital services.

INTERNET ACCESS. We currently provide Internet access to our customers by two principal means:

- via cable modems attached to personal computers, either directly or through an outsourcing contract with an Internet service provider; and

- through television access, via a service such as WorldGate.

We also provide Internet access in some markets through traditional dial-up telephone modems, using a third party service provider.

The principal advantage of cable Internet connections is the high speed of data transfer over a cable system. We currently offer these services to our residential customers over coaxial cable at speeds that can range up to approximately 50 times the speed of a conventional telephone modem. Furthermore, a two-way communication cable system using a hybrid fiber optic/coaxial structure can support the entire connection at cable modem speeds without the need for a separate telephone line. If the cable system only supports one-way signals from the headend to the customer, the customer must use a separate telephone line in order to send signals to the provider, although such customer still receives the benefit of high speed cable access when downloading information, which is the primary reason for using cable as an Internet connection. In addition to Internet access over our traditional coaxial system, we also provide our commercial customers fiber optic cable access at a price that we believe is less than the price offered by the telephone companies.

In the past, cable Internet connections have provided customers with widely varying access speeds because each customer accessed the Internet by sending and receiving data through a node. Users connecting simultaneously through a single node share the bandwidth of that node, so that users' connection speeds may diminish as additional users connect through the same node. To induce users to switch to our Internet services, however, we guarantee our cable modem customers the minimum access speed selected from several speed options we offer. We also provide higher guaranteed access speeds for customers willing to pay an additional cost. In order to meet these guarantees, we are increasing the bandwidth of our systems and "splitting" nodes easily and cost-effectively to reduce the number of customers per node.

- CABLE MODEM-BASED INTERNET ACCESS. We have deployed cable modem-based Internet access services in 27 markets including: Los Angeles, California; St. Louis, Missouri; and Fort Worth, Texas.

As of June 30, 1999, we provided Internet access service to approximately 13,460 homes and 160 commercial customers. The following table indicates the historical and projected availability, pro forma for our recent and pending acquisitions, of cable modem Internet access services in our systems, as of the dates indicated. Only a small percentage of the homes passed currently subscribe to these services.

| | HOMES PASSED BY ADVANCED DATA SERVICES | |
|---|---|---|
| | JUNE 30, 1999 | DECEMBER 31, 1999 |
| | (ACTUAL) | (PROJECTED) |
| HIGH SPEED INTERNET ACCESS VIA CABLE MODEMS: | | |
| High Speed Access | 644,600 | 1,391,000 |
| EarthLink/Charter Pipeline | 572,700 | 708,700 |
| Excite@Home | 233,400 | 617,300 |
| Convergence.com | -- | 353,200 |
| In-House/Other | -- | 344,000 |
| Total cable modems | 1,450,700 | 3,414,200 |
| Internet access via WorldGate | 245,200 | 428,800 |

We have an agreement with EarthLink, an independent Internet service provider, to provide as a label service Charter Pipeline(TM), which is a cable modem-based, high-speed Internet access service we offer. We currently charge a monthly usage fee of between $24.95 and $34.95. Our customers have the option to lease a cable modem for $10 to $15 a month or to purchase a modem for between $300 and $400. As of June 30, 1999, we offered EarthLink Internet access to approximately 573,000 of our homes passed and have approximately 7,200 customers.

We have a relationship with High Speed Access to offer Internet access in some of our smaller systems. High Speed Access also provides Internet access services to our customers under the Charter Pipeline brand name. Although the Internet access service is provided by High Speed Access, the Internet "domain name" of our customer's e-mail address and web site, if any, is "Charter.net," allowing the customer to switch or expand to our other Internet services without a change of e-mail address. High Speed Access provides three different tiers of service to us. The base tier is similar to our arrangements with EarthLink and Excite@Home. The turnkey tier bears all capital, operating and marketing costs of providing the service, and seeks to build economies of scale in our smaller systems that we cannot efficiently build ourselves by simultaneously contracting to provide the same services to other small geographically contiguous systems. The third tier allows for a la carte selection of services between the base tier and the turnkey tier. As of June 30, 1999, High Speed Access offered Internet access to approximately 645,000 of our homes passed, and approximately 5,700 customers have signed up for the service. During the remaining six months of 1999, we, jointly with High Speed Access, plan to launch service in an additional 21 systems, covering approximately 758,000 additional homes passed. Vulcan Ventures, Inc., a company controlled by Mr. Allen, has an equity investment in High Speed Access. See "Certain Relationships and Related Transactions".

We have a revenue sharing agreement with Excite@Home, under which Excite@Home currently provides Internet service to customers in our systems serving Fort Worth, University Park and Highland Park, Texas. The Excite@Home network provides high-speed, cable modem-based Internet access using our cable infrastructure. As of June 30, 1999, we offered Excite@Home Internet service to approximately 233,000 of our homes passed and had approximately 3,000 customers.

We also have services agreements with Convergence.com, under which Convergence.com currently provides Internet service to customers in systems acquired from Rifkin. The Convergence.com network provides high-speed, cable modem-based Internet access using our cable infrastructure. As of June 30, 1999, Rifkin offered Convergence.com service to approximately 260,000 homes passed and had approximately 5,400 customers.

We actively market our cable modem service to businesses in each one of our systems where we have the capability to offer such service. Our marketing efforts are often door-to-door, and we have established a separate division whose function is to make businesses aware that this type of Internet access is available through us. We also provide several virtual local area networks for municipal and educational facilities in our Los Angeles cluster including Cal Tech, the City of Pasadena and the City of West Covina.

- TV-BASED INTERNET ACCESS. We have a non-exclusive agreement with WorldGate to provide its TV-based e-mail and Internet access to our cable customers. WorldGate's technology is only available to cable systems with two-way capability. WorldGate offers easy, low-cost Internet access to customers at connection speeds ranging up to 128 kilobits per second. For a monthly fee, we provide our customers with e-mail and Internet access that does not require the use of a PC, an existing or additional telephone line, or any additional equipment. Instead, the customer accesses the Internet through the set-top box, which the customer already has on his television set, and a wireless keyboard, that is provided with the service and which interfaces with the box. WorldGate works on advanced analog and digital converters and, therefore, can be installed utilizing advanced analog converters already deployed. In contrast, other converter-based, non-PC Internet access products require a digital platform and a digital converter prior to installation.

Customers who opt for television-based Internet access are generally first-time users who prefer this more user-friendly interface. Of these users, 41% use WorldGate at least once a day, and 77% use it at least once a week. Although the WorldGate service bears the WorldGate brand name, the Internet domain name of the customers who use this service is "Charter.net". This allows the customer to switch or expand to our other Internet services without a change of e-mail address.

We first offered WorldGate to customers on the upgraded portion of our systems in St. Louis in April 1998. We are also currently offering this service in our systems in Maryville, Illinois and Newtown, Connecticut, and plan to introduce it in eight additional systems by December 31, 1999. Charter Investment, Inc. owns a minority interest in WorldGate which will be contributed to Charter Communications Holding Company. See "Certain Relationships and Related Transactions". As of June 30, 1999, we provided WorldGate Internet service to approximately 4,300 customers.

- INTERNET PORTAL SERVICES. On October 1, 1999, Charter Communications Holding Company, Vulcan Ventures, an entity controlled by Mr. Allen, and Go2Net, Inc. entered into a joint venture to form Broadband Partners, LLC. Broadband will provide access to the Internet through a "portal", to Charter Communications Holding Company's current and future subscribers and potentially to other providers of high speed Internet access. A portal 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 and generates revenues from advertising on its own web pages and by sharing revenues generated by linked or featured web sites.

Revenue splits and other economic terms in this arrangement will be at least as favorable to Charter Communications Holding Company as terms between Broadband and any other party. Charter Communications Holding Company has agreed to use Broadband's portal services exclusively for an initial six-year period that will begin when the portal services are launched, except that Charter's existing agreements with other Internet high speed portal services and High Speed Access may run for their current term to the extent that such agreements do not allow for the carriage of content provided by Charter Communications Holding Company or Vulcan Ventures. The joint venture is for an initial 25-year term, subject to successive five-year renewals by mutual consent. Vulcan Ventures will own 55.2%, Charter Communications Holding Company will own

24.9% and Go2Net will own 19.9% of Broadband's membership interests. Vulcan Ventures will have voting control over the Broadband entity. Broadband's board of directors will consist of three directors designated by Vulcan Ventures and one by each of Charter Communications Holding Company and Go2Net.

Each of Broadband's investors will be obligated to provide their pro rata share of funding for Broadband's operations and capital expenditures, except that Vulcan Ventures will fund Charter Communications Holding Company's portion of Broadband's expenses for the first four years and will fund Go2Net's portion of Broadband's expenses to the extent such expenses exceed budget for the first four years.

We believe that our participation in the Broadband Partners joint venture will facilitate the delivery of a broad array of Internet products and services to our customers over the television set's digital set-top box and through the personal computer.

The Broadband Partners joint venture has not yet established a timetable for launching its portal services. We do not anticipate that our participation in the joint venture will have a material impact on our financial condition or results of operations for the foreseeable future. This is especially the case because Charter Communications Holding Company's portion of the joint venture's expenses are to be funded by Vulcan Ventures during the first four years.

WINK-ENHANCED PROGRAMMING. We have formed a relationship with Wink, which sells technology to embed interactive features, such as additional information and statistics about a program or the option to order an advertised product, into programming and advertisements. A customer with a Wink-enabled set-top box 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. A company controlled by Mr. Allen has made an equity investment in Wink. See "Certain Relationships and Related Transactions".

Various programming networks, including CNN, NBC, ESPN, HBO, Showtime, Lifetime, VH1, the Weather Channel, and Nickelodeon, are currently producing over 1,000 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. Each time one of our customers uses Wink to request certain additional information or order an advertised product, we receive fees from Wink.

TELEPHONE SERVICES. We expect to be able to offer cable telephony services in the near future using our systems' direct, two-way connections to homes and other buildings.

We are exploring technologies using Internet protocol telephony, as well as traditional switching technologies that are currently available, to transmit digital voice signals over our systems. AT&T and other telephone companies have already begun to pursue strategic partnering and other programs which make it attractive for us to acquire and develop this alternative Internet protocol technology. For the last two years, we have sold 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.

JOINT VENTURE WITH RCN CORPORATION. On October 1, 1999, Charter Communications Holding Company and RCN Corporation entered into a binding term sheet containing the principal terms of a non-exclusive joint venture to provide a broad range of telephony services to the customers of Charter Communications Holding Company's subsidiaries in its Los Angeles franchise territory. RCN is engaged in the businesses of bundling residential voice, video and Internet access operations, cable operations and certain long distance telephony operations. RCN is developing advanced fiber optic networks to provide a wide range of telecommunications services, including long distance telephone, video programming and data services, such as high speed Internet access.

Charter Communications Holding Company will provide access to its subsidiaries' Los Angeles subscriber base and will provide the capital necessary to develop telephony capability in Los Angeles. In addition, Charter Communications Holding Company will provide the necessary personnel to oversee and manage the telephony services. RCN will provide the necessary personnel and support services to develop and implement telephony services to be provided by Charter Communications Holding Company. Charter Communications Holding Company will pay RCN's fees at rates consistent with industry market compensation. Charter Communications Holding Company will have all rights to the telephony business and assets and will receive all revenues derived from the telephony business unless the parties expand RCN's role by mutual agreement. We believe that our telephony joint venture, together with Mr. Allen's investment in RCN, may allow us to take advantage of RCN's telephony experience as we deliver telephone services to our customers, although we cannot assure you that we will realize anticipated advantages.

The term sheet contains only the principal terms of this joint venture and provides that the parties will enter into definitive agreements before the end of 1999. These agreements will contain, among other terms, details of the compensation to be received by RCN. To date, we and RCN have had only preliminary discussions regarding specific operational matters and have not determined a timetable for the commencement of services by the joint venture. We do not anticipate that this joint venture will have a material impact on our financial condition or results of operations for the foreseeable future.

MISCELLANEOUS SERVICES. We also offer paging services to our customers in certain markets. As of June 30, 1999, we had approximately 9,400 paging customers. We also lease our fiber-optic cable plant and equipment to commercial and non-commercial users of data and voice telecommunications services.

OUR SYSTEMS

As of June 30, 1999, our systems consisted of approximately 65,900 miles of coaxial and approximately 10,600 sheath miles of fiber optic cable passing approximately 4.5 million households and serving approximately 2.7 million customers. Coaxial cable is a type of cable used for broadband data and cable systems. This type of cable has excellent broadband frequency characteristics, noise, immunity and physical durability. The cable is connected from each node to individual homes or buildings. A node is a single connection to a cable system's main high-capacity fiber optic cable that is shared by a number of customers. A sheath mile is the actual length of cable in miles. Fiber optic cable is a communication medium that uses hair-thin glass fibers to transmit signals over long distances with minimum signal loss or distortion. As of June 30, 1999, approximately 57% of our customers were served by systems with at least 550 megahertz bandwidth capacity, approximately 38% had at least 750 megahertz bandwidth capacity and approximately 34% were served by systems capable of providing two-way interactive communication capability. Such two-way interactive communication capability includes two-way Internet connections, services provided by Wink, and interactive program guides. These amounts do not reflect the impact of our recent or pending acquisitions.

CORPORATE MANAGEMENT. We are managed from our corporate offices in St. Louis, Missouri. As of the closing of the offering, Charter Communications, Inc. will have only twelve employees, all of whom are senior management and are also employees of Charter Investment, Inc. Pursuant to a services agreement between Charter Communications, Inc. and Charter Investment, Inc., Charter Investment, Inc. will provide the necessary personnel and services to manage Charter Communications Holding Company and its subsidiaries. These personnel and services will be provided to Charter Communications, Inc. on a cost reimbursement basis. Management of Charter Communications, Inc. and Charter Investment, Inc. consists of approximately 200 people led by our chief executive officer Jerald L. Kent. They are 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.

OPERATING REGIONS. To manage and operate our systems, we have established two divisions that contain a total of seven operating regions: Western; Central; MetroPlex (Dallas/Fort Worth); North Central; Northeast; Southeast; and Southern. Each of the two divisions is managed by a Senior Vice President who reports directly to Mr. Kent and is responsible for overall supervision of the operating regions within the division. Each region is managed by a team consisting of a Senior Vice President or a Vice President, supported by operational, marketing and engineering personnel. Within each region, certain groups of cable systems are further organized into clusters. We believe that much of our success is attributable to our operating philosophy which emphasizes decentralized management, with decisions being made as close to the customer as possible. We anticipate that we will reorganize into a total of eleven regions with the closings of our pending acquisitions.

The following table provides an overview of selected technical, operating and financial data for each of our operating regions as of and for the six months ended June 30, 1999. The following table does not reflect the impact of our pending acquisitions or acquisitions closed since June 30, 1999. Upon completion of the pending acquisitions, our systems will pass approximately 9.7 million homes serving approximately 6.2 million customers.

SELECTED TECHNICAL, OPERATING AND FINANCIAL DATA BY OPERATING REGION
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1999

| | WESTERN | CENTRAL | METROPLEX | NORTH CENTRAL | NORTHEAST | SOUTHEAST | SOUTHERN | TOTAL |
|---|---|---|---|---|---|---|---|---|
| TECHNICAL DATA: | | | | | | | | |
| Miles of coaxial cable...... | 7,500 | 8,800 | 5,700 | 10,000 | 4,600 | 16,700 | 12,600 | 65,900 |
| Density(a).................. | 147 | 68 | 85 | 61 | 79 | 40 | 54 | 68 |
| Headends.................... | 23 | 34 | 16 | 86 | 18 | 60 | 79 | 316 |
| Planned headend eliminations.............. | 3 | 3 | 1 | 30 | -- | 11 | 8 | 56 |
| Plant bandwidth(b): | | | | | | | | |
| 450 megahertz or less....... | 32.1% | 53.7% | 28.0% | 41.9% | 43.3% | 37.9% | 54.3% | 43.3% |
| 550 megahertz............... | 7.0% | 10.2% | 14.4% | 9.5% | 38.6% | 24.0% | 23.6% | 19.1% |
| 750 megahertz or greater.... | 60.9% | 36.1% | 57.6% | 48.6% | 18.1% | 38.1% | 22.1% | 37.6% |
| Two-way capability.......... | 48.6% | 49.0% | 68.9% | 64.3% | 10.9% | 16.8% | 15.1% | 33.8% |
| OPERATING DATA: | | | | | | | | |
| Homes passed................ | 1,101,000 | 595,000 | 487,000 | 606,000 | 364,000 | 672,000 | 684,000 | 4,509,000 |
| Basic customers............. | 575,000 | 368,000 | 187,000 | 402,000 | 301,000 | 453,000 | 448,000 | 2,734,000 |
| Basic penetration(c)........ | 52.2% | 61.8% | 38.4% | 66.3% | 82.7% | 67.4% | 65.5% | 60.6% |
| Premium units............... | 365,000 | 217,000 | 172,000 | 146,000 | 265,000 | 288,000 | 223,000 | 1,676,000 |
| Premium penetration(d)...... | 63.5% | 59.0% | 92.0% | 36.3% | 88.0% | 63.6% | 49.8% | 61.3% |
| FINANCIAL DATA: | | | | | | | | |
| Revenues, in millions....... | $122.8 | $82.3 | $25.9 | $46.1 | $32.0 | $89.1 | $70.8 | $469.0 |

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(a) Represents homes passed divided by miles of coaxial cable.

(b) Represents percentage of basic customers within a region served by the indicated plant bandwidth.

(c) Represents basic customers as a percentage of homes passed.

(d) Represents premium units as a percentage of basic customers.

WESTERN REGION. The Western region consists of cable systems serving approximately 575,000 customers located entirely in the state of California, with approximately 474,000 customers located within the Los Angeles metropolitan area. These customers reside primarily in the communities of Pasadena, Alhambra, Glendale, Long Beach and Riverside. We also have approximately 101,000 customers in central California, principally located in the communities of San Luis Obispo, West Sacramento and Turlock. The Western region is also responsible for managing approximately 69,000 customers associated with the recent acquisition of American Cable and 32,000 customers associated with the recent acquisition of Rifkin. According to National Decision Systems, the projected median household growth in the counties currently served by this region's systems is 5.2% for the period ending 2003, which is also the projected U.S. median household growth for the same period.

The Western region's cable systems have been significantly upgraded with approximately 68% of the region's customers served by cable systems with at least 550 megahertz bandwidth capacity as of June 30, 1999. The planned upgrade of the Western region's cable systems will reduce the number of headends from 21 to 18 by December 31, 2001.

CENTRAL REGION. The Central region consists of cable systems serving approximately 368,000 customers of which approximately 250,000 customers reside in and around St. Louis County or in adjacent areas in Illinois, and over 94% are served by two headends. The remaining approximately 118,000 of these customers reside in Indiana, and these systems are primarily classic cable systems serving small to medium-sized communities. A portion of the Indiana systems have been "swapped" as part of the InterMedia transaction. See "Business -- Acquisitions". The Central region is also responsible for managing approximately 77,000 customers associated with the recent acquisition of Rifkin. According to National Decision Systems, the projected median household growth in the counties currently served by this region's systems is 4.7% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period.

At June 30, 1999, approximately 46% of the Central region's customers were served by cable systems with at least 550 megahertz bandwidth capacity. The majority of the cable plants in the Illinois systems have been upgraded to 750 megahertz bandwidth capacity. The planned upgrade of the Central region's cable systems will reduce the number of headends from 34 to 31 by December 31, 2001. We have begun a three-year project, scheduled for completion in 2001, to upgrade the cable plant in St. Louis County, serving approximately 178,000 customers, to 870 megahertz bandwidth capability.

METROPLEX REGION. The MetroPlex region consists of cable systems serving approximately 187,000 customers of which approximately 131,000 are served by the Fort Worth system. The systems in this region serve one of the fastest growing areas of Texas. The anticipated population growth combined with the existing low basic penetration rate of approximately 38% offers significant potential to increase the total number of customers and the associated revenue and cash flow in this region. According to National Decision Systems, the projected median household growth in the counties served by this region's systems is 8.4% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period.

The MetroPlex region's cable systems have been significantly upgraded with approximately 72% of the region's customers served by cable systems with at least 550 megahertz bandwidth capacity as of June 30, 1999. In 1997, we began to upgrade the Fort Worth system to 870 megahertz of bandwidth capacity. We expect to complete this project during 1999. The planned upgrade of the MetroPlex region's cable systems will reduce the number of headends from 16 to 15 by December 31, 2001.

NORTH CENTRAL REGION. The North Central region consists of cable systems serving approximately 402,000 customers. These customers are primarily located throughout the state of Wisconsin, along with a small system of approximately 27,000 customers in Rosemont, Minnesota, a suburb of Minneapolis. Within the state of Wisconsin, the four largest operating clusters are located in and around Eau Claire, Fond du Lac, Janesville and Wausau. According to National Decision Systems, the projected median household growth in the counties served by this region's systems is 5.4% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period.

At June 30, 1999, approximately 58% of the North Central region's customers were served by cable systems with at least 550 megahertz bandwidth capacity. The planned upgrade of the North Central region's cable systems will reduce the number of headends from 86 to 56 by December 31, 2001.

NORTHEAST REGION. The Northeast region consists of cable systems serving approximately 301,000 customers residing in the states of Connecticut and Massachusetts. These systems serve the communities of Newtown and Willimantic, Connecticut, and areas in and around Pepperell, Massachusetts, and are included in the New York, Hartford, and Boston areas of demographic influence. The Northeast region will be responsible for managing the approximately 175,000 customers associated with the recent acquisition of cable systems from Greater Media and approximately 15,000 customers associated with the recent acquisition of Helicon. According to National Decision Systems, the projected median household growth in the counties currently served by this region's systems is 3.7% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period.

At June 30, 1999, approximately 57% of the Northeast region's customers were served by cable systems with at least 550 megahertz of bandwidth capacity.

SOUTHEAST REGION. The Southeast region consists of cable systems serving approximately 453,000 customers residing primarily in small to medium-sized communities in North Carolina, South Carolina, Georgia and eastern Tennessee. There are significant clusters of cable systems in and around the cities and counties of Greenville/Spartanburg, South Carolina; Hickory and Asheville, North Carolina; Henry County, Georgia, a suburb of Atlanta; and Johnson City, Tennessee. These areas have experienced rapid population growth over the past few years, contributing to the high rate of internal customer growth for these systems. According to National Decision

Systems, the projected median household growth in the counties currently served by this region's systems is 6.9% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period. In addition, the Southeast region is responsible for managing an aggregate of 606,000 customers associated with the recent Helicon, InterMedia, Rifkin, Vista and Cable Satellite acquisitions.

At June 30, 1999, approximately 62% of the Southeast region's customers were served by cable systems with at least 550 megahertz bandwidth capacity. The planned upgrade of the Southeast region's cable systems will reduce the number of headends from 60 to 49 by December 31, 2001.

SOUTHERN REGION. The Southern region consists of cable systems serving approximately 448,000 customers located primarily in the states of Louisiana, Alabama, Kentucky, Mississippi and central Tennessee. In addition, the Southern region includes systems in Kansas, Colorado, Utah and Montana. The Southern region has significant clusters of cable systems in and around the cities of Birmingham, Alabama; Nashville, Tennessee; and New Orleans, Louisiana. According to National Decision Systems, the projected median household growth in the counties currently served by this region's systems is 6.3% for the period ending 2003, versus the projected U.S. median household growth of 5.2% for the same period. In addition, the Southern region is responsible for managing an aggregate of 328,000 customers associated with the recent Helicon, InterMedia and Rifkin acquisitions.

At June 30, 1999, approximately 46% of the Southern region's customers were served by cable systems with at least 550 megahertz bandwidth capacity. The planned upgrade of the Southeast region's cable systems will reduce the number of headends from 59 to 51 by December 31, 2001.

PLANT AND TECHNOLOGY OVERVIEW. We have engaged in an aggressive program to upgrade our existing cable plant over the next three years. For the period from January 1, 2000 to December 31, 2002, we plan to spend approximately $5.5 billion for capital expenditures, approximately $2.9 billion of which will be used to upgrade our systems to bandwidth capacity of 550 megahertz or greater, so that we may offer advanced services. The remaining capital will be spent on plant extensions, new services, converters and system maintenance.

The following table describes the current technological state of our systems and the anticipated progress of planned upgrades through 2001, based on the percentage of our customers who will have access to the bandwidth and other features shown:

| | LESS THAN 550 MEGAHERTZ | 550 MEGAHERTZ | 750 MEGAHERTZ OR GREATER | TWO-WAY CAPABILITY |
|---|---|---|---|---|
| June 30, 1999........................ | 43.3% | 19.1% | 37.6% | 33.8% |
| December 31, 1999.................... | 58.7% | 15.9% | 25.4% | 25.4% |
| December 31, 2000.................... | 47.3% | 14.5% | 38.2% | 38.2% |
| December 31, 2001.................... | 30.1% | 12.5% | 57.4% | 57.4% |

We have adopted HFC architecture as the standard for our ongoing systems upgrades. HFC architecture combines the use of fiber optic cable, which can carry hundreds of video, data and voice channels over extended distances, with coaxial cable, which requires a more extensive signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we connect fiber optic cable to individual nodes serving an average of 500 homes or commercial buildings. We believe that this network design provides high capacity and superior signal quality, and will enable us to provide the newest forms of telecommunications services to our customers. The primary advantages of HFC architecture over traditional coaxial cable networks include:

- increased channel capacity of cable systems;

- reduced number of amplifiers, which are devices to compensate for signal loss caused by coaxial cable, needed to deliver signals from the headend to the home, resulting in improved signal quality and reliability;

- reduced number of homes that need to be connected to an individual node, improving the capacity of the network to provide high-speed Internet access and reducing the number of households affected by disruptions in the network; and

- sufficient dedicated bandwidth for two-way services, which avoids reverse signal interference problems that can otherwise occur when you have two-way communication capability.

The HFC architecture will enable us to offer new and enhanced services, including:

- additional channels and tiers;

- expanded pay-per-view options;

- high-speed Internet access;

- wide area networks, which permit a network of computers to be connected together beyond an area;

- point-to-point data services, which can switch data links from one point to another; and

- digital advertising insertion, which is the insertion of local, regional and national programming.

The upgrades will facilitate our new services in two primary ways:

- Greater bandwidth allows us to send more information through our systems. This provides us with the capacity to provide new services in addition to our current services. As a result, we will be able to roll out digital cable programming in addition to existing analog channels offered to customers who do not wish to subscribe to a package of digital services.

- Enhanced design configured for two-way communication with the customer allows us to provide cable Internet services without telephone support and other interactive services, such as an interactive program guide, impulse pay-per-view, video-on-demand and Wink, that cannot be offered without upgrading the bandwidth capacity of our systems.

This HFC architecture will also position us to offer cable telephony services in the future, using either Internet protocol technology or switch-based technology, another method of linking communications.

CUSTOMER SERVICE AND COMMUNITY RELATIONS

Providing a high level of service to our customers has been a central driver of our historical success. Our emphasis on system reliability, engineering support and superior customer satisfaction is key to our management philosophy. In support of our commitment to customer satisfaction, we operate a 24-hour customer service hotline in most systems and offer on-time installation and service guarantees. 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.

As of June 30, 1999, we maintained eight call centers located in our seven regions, which are responsible for handling call volume for more than 55% of our customers. They are staffed with dedicated personnel who provide service to our customers 24 hours a day, seven days a week. We believe operating regional call centers allows us to provide "localized" service, which also reduces overhead costs and improves customer service. We have invested significantly in both personnel and equipment to ensure that these call centers are professionally managed and employ state-of-the-art technology. We also maintain approximately 170 field offices, and employ approximately 1,200 customer service representatives throughout the systems. Our customer service representatives receive extensive training to develop customer contact skills and product knowledge critical to successful sales and high rates of customer retention. We have approximately 2,300 technical employees who are encouraged to enroll in courses and attend regularly scheduled on-site seminars conducted by equipment manufacturers to keep pace with the latest technological developments in the cable television industry. We utilize surveys, focus groups and other research tools as part of our efforts to determine and respond to customer needs. We believe that all of this improves the overall quality of our services and the reliability of our systems, resulting in fewer service calls from customers.

We are also committed to fostering strong community relations in the towns and cities our systems serve. We support many local charities and community causes in various ways, including marketing promotions to raise money and supplies for persons in need, and in-kind donations that include production services and free air-time on major cable networks. Recent charity affiliations include campaigns for "Toys for Tots," United Way, local theatre, children's museums, local food banks and volunteer fire and ambulance corps. We also participate in the "Cable in the Classroom" program, whereby cable television companies throughout the United States provide schools with free cable television service. In addition, we install and provide free basic cable service to public schools, government buildings and non-profit hospitals in many of the communities in which we operate. We also provide free cable modems and high-speed Internet access to schools and public libraries in our franchise areas. We place a special emphasis on education, and regularly award scholarships to employees who intend to pursue courses of study in the communications field.

## SALES AND MARKETING

PERSONNEL RESOURCES. We have a centralized team responsible for coordinating the marketing efforts 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 between our corporate office, which handles programs and administration, and our field offices, which implement the various programs. We are also continually monitoring the regulatory arena, customer perception, competition, pricing and product preferences to increase our responsiveness to our customer base. Our customer service representatives are given the incentive to use their daily contacts with customers as opportunities to sell our new service offerings.

MARKETING STRATEGY. Our long-term marketing objective is to increase cash flow through deeper market penetration and growth in revenue per household. To achieve this objective and to position our service as an indispensable consumer service, we are pursuing the following strategies:

- increase the number of rooms per household with cable;

- introduce new cable products and services;

- design product offerings to enable greater opportunity for customer choices;

- utilize "tiered" packaging strategies to promote the sale of premium services and niche programming;

- offer our customers more value through discounted bundling of products;

- increase the number of residential consumers who use our set-top box, which enables them to obtain advanced digital services such as a greater number of television stations and interactive services;

- target households based on demographic data;

- develop specialized programs to attract former customers, households that have never subscribed and illegal users of the service; and

- employ Charter branding of products to promote customer awareness and loyalty.

We have innovative marketing programs which utilize market research on selected systems, compare the data to national research and tailor marketing programs for individual markets. We gather detailed customer information through our regional marketing representatives and use the Claritas geodemographic data program and consulting services to create unique packages of services and marketing programs. These marketing efforts and the follow-up analysis provide consumer information down to the city block or suburban subdivision level, which allows us to create very targeted marketing programs.

We seek to maximize our revenue per customer through the use of "tiered" packaging strategies to market premium services and to develop and promote niche programming services.

We regularly use targeted direct mail campaigns to sell these tiers and services to our existing customer base. We are developing an in-depth profile database that goes beyond existing and former customers to include all homes passed. This database information is expected to improve our targeted direct marketing efforts, bringing us closer toward our objective of increasing total customers as well as sales per customer for both new and existing customers. For example, using customer profile data currently available, we are able to identify customers who have children under a specified age and do not currently subscribe to The Disney Channel. We then target our marketing efforts with respect to The Disney Channel to those households. In 1998, we were chosen by Claritas Corporation, sponsor of a national marketing competition across all industries, as the first place winner in their media division, which includes cable systems operations, telecommunications and newspapers, for our national segmenting and targeted marketing program.

Our marketing professionals have also received numerous industry awards within the last two years, including the Cable and Telecommunication Association of Marketers' awards for consumer research and best advertising and marketing programs.

In 1998, we introduced a new package of premium services. Customers receive a substantial discount on bundled premium services of HBO, Showtime, Cinemax and The Movie Channel. We were able to negotiate favorable terms with premium networks, which allowed minimal impact on margins and provided substantial volume incentives to grow the premium category. The MVP package has increased our premium household penetration, premium revenue and cash flow. As a result of this package, HBO recognized us as a top performing customer. We are currently introducing this same premium strategy in the systems we have recently acquired.

We expect to continue to invest significant amounts of time, effort and financial resources in the marketing and promotion of new and existing services. To increase customer penetration and increase the level of services used by our customers, we use a coordinated array of marketing techniques, including door-to-door solicitation, telemarketing, media advertising and direct mail solicitation. We believe we have one of the cable television industry's highest success rates in attracting and retaining customers who have never before subscribed to cable television. Historically, these "nevers" are the most difficult customers to attract and retain.

PROGRAMMING SUPPLY

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 of basic and premium services. We rely on extensive market research, customer demographics and local programming preferences to determine channel offerings in each of our markets. See "-- Sales and Marketing".

PROGRAMMING SOURCES. We obtain basic and premium programming from a number of suppliers, usually pursuant to a written contract. As of June 30, 1999, we obtain approximately 64% of our programming through contracts entered into directly with a programming supplier. We obtain the rest of our programming through TeleSynergy, Inc., which offers its partners contract benefits in buying programming by virtue of volume discounts available to a larger buying base. 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, a portion of which is applied to marketing expenses associated with the channel launch. The amounts we receive in distribution fees are not significant.

Our programming contracts generally continue for a fixed period of time, usually from three to ten years. Although longer contract terms are available, we prefer to limit contracts to three years so that we retain flexibility to change programming and include new channels as they become available. Some program suppliers offer marketing support or volume discount pricing structures. Some of our programming agreements with premium service suppliers offer cost incentives under which premium service unit prices decline as certain premium service growth thresholds are met.

For home shopping channels, we may receive a percentage of the amount spent in home shopping purchases by our customers on channels we carry. In 1998, these revenues totalled approximately $220,000.

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

- system acquisitions;

- additional programming being provided to customers;

- increased cost to produce or purchase cable programming; and

- inflationary increases.

In every year we have operated, our costs to acquire programming have exceeded customary inflationary and cost-of-living type increases. 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 which we may or may not have the option to add to our service offerings.

Under rate regulation 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". We now contract through TeleSynergy for approximately 36% of our programming. We believe our partnership in TeleSynergy limited increases in our programming costs relative to what the increases would otherwise have been. However, given our increased size and purchasing ability, the effect may not be material. This is because some programming suppliers offer advantageous pricing terms to cable operators whose number of customers exceeds thresholds established by these programming suppliers. Our increase in size as a result of our merger with Marcus Holdings and our recent and pending acquisitions should provide increased bargaining power, whether or not through TeleSynergy, resulting in an ability to limit increases in programming costs. In addition, upon the close of the InterMedia, Falcon and Bresnan acquisitions, the InterMedia, Falcon and Bresnan cable systems will no longer be able to obtain certain of their programming services through affiliates of AT&T Broadband and Internet Services, formerly Tele-Communications, Inc. We expect that the impact of any programming cost increases associated with the termination of these arrangements will be more than offset by cost savings generated from our other recent and pending acquisitions. Management believes it will, as a general matter, be able to pass increases in its programming costs through to customers, although we cannot assure you that it will be possible.

RATES

Pursuant to the Federal Communications Commission's rules, we have set rates for cable-related equipment, such as converter boxes and remote control devices, and installation services. These rates are based on actual costs plus a 11.25% rate of return. We have unbundled these charges from the charges for the provision of cable service.

Rates charged to customers vary based on the market served and service selected, and are typically adjusted on an annual basis. As of June 30, 1999, the average monthly fee was $10.59 for basic service and $19.16 for expanded basic service. Regulation of the expanded basic service was eliminated by federal law as of March 31, 1999 and such rates are now based on market conditions. 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".

THEFT PROTECTION

The unauthorized tapping of cable plant and the unauthorized receipt of programming using cable converters purchased through unauthorized sources are problems which continue to challenge the entire cable industry. We have adopted specific measures to combat the unauthorized use of our plant to receive programming. For instance, in several of our regions, we have instituted a "perpetual audit" whereby each technician is required to check at least four other nearby residences during each service call to determine if there are any obvious signs of piracy, namely, a drop line leading from the main cable line into other homes. Addresses where the technician observes drop lines are then checked against our customer billing records. If the address is not found in the billing records, a sales representative calls on the unauthorized user to correct the "billing discrepancy" and persuade the user to become a formal customer. In our experience, approximately 25% of unauthorized users who are solicited in this manner become customers. Billing records are then closely monitored to guard against these new customers reverting to their status as unauthorized users. Unauthorized users who do not convert are promptly disconnected and, in certain instances, flagrant violators are referred for prosecution. In addition, we have prosecuted individuals who have sold cable converters programmed to receive our signals without proper authorization.

FRANCHISES

As of June 30, 1999, our systems operated pursuant to an aggregate of 1,247 franchises, permits and similar authorizations issued by local and state governmental authorities. As of June 30, 1999, on a pro forma basis, we held approximately 4,250 franchises in the aggregate. 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 generated by cable television services under the franchise (i.e., the maximum amount that may be charged under the Communications Act).

Our franchises have terms which range from four years to more than 32 years. 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 it 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 make certain commitments, such as technological upgrades to the system, which may require substantial capital expenditures. We cannot assure you, however, 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. See "Risk Factors -- Regulatory and Legislative Matters". The following table summarizes our systems' franchises by year of expiration, and approximate number of basic customers as of June 30, 1999 and does not reflect pending acquisitions or acquisitions closed since that date.

| YEAR OF FRANCHISE EXPIRATION | NUMBER OF FRANCHISES | PERCENTAGE OF TOTAL FRANCHISES | TOTAL BASIC CUSTOMERS | PERCENTAGE OF TOTAL CUSTOMERS |
|---|---|---|---|---|
| Prior to December 31, 1999 | 109 | 9% | 275,000 | 10% |
| 2000 to 2002 | 239 | 19% | 608,000 | 22% |
| 2003 to 2005 | 267 | 21% | 525,000 | 19% |
| 2006 or after | 632 | 51% | 1,326,000 | 49% |
| Total | 1,247 | 100% | 2,734,000 | 100% |

Under the 1996 Telecom Act, cable operators are not required to obtain franchises in order to provide telecommunications services, and granting authorities are prohibited from limiting, restricting or conditioning the provision of such services. In addition, 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.

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 Internet access, 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".

To date, we believe that we have not lost a significant number of customers, or a significant amount of revenue, to our competitors' systems. However, competition from other providers of the technologies we expect to offer in the future may have a negative impact on our business in the future.

Through mergers such as the recent merger of Tele-Communications, Inc. and AT&T, customers will come to expect a variety of services from a single provider. While the TCI/AT&T merger has no direct or immediate impact on our business, it encourages providers of cable and telecommunications services to expand their service offerings. It also encourages consolidation in the cable industry as cable operators recognize the competitive benefits of a large customer base and expanded financial resources.

Key competitors today 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 a traditional "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.

- DBS. Direct broadcast satellite, known as DBS, has emerged as significant competition 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 approximately 10 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 cable system. DBS, however, is limited in the local programming it can provide because of the current capacity limitations of satellite technology. In addition, existing copyright rules restrict the ability of DBS providers to offer local broadcast programming. Congress is now considering legislation that would remove these legal obstacles. DirecTV and EchoStar Communications Corporation, the two primary DBS providers, have reached agreements allowing them to offer Fox's owned-and-operated stations in their local markets. These agreements are contingent upon passage of satellite TV reform legislation. America Online Inc., the nation's leading provider of Internet services has recently announced a plan to invest $1.5 billion in Hughes Electronics Corp., DirecTV, Inc.'s parent company, and these companies intend to jointly market America Online's prospective Internet television service to DirecTV's DBS customers.

- DSL. The deployment of digital subscriber line technology, known as DSL, will allow Internet access to subscribers at data transmission speeds greater than those of modems over conventional telephone lines. Several telephone companies and other companies are introducing DSL service. The Federal Communications Commission has initiated an administrative proceeding to consider its authority and the possibility of rules to facilitate the deployment of advanced communications services, including high speed broadband services and interactive online Internet services. We are unable to predict the ultimate outcome of any Federal Communications Commission proceeding, the likelihood of success of the Internet access 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 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 which 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. 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.

We are aware of overbuild situations in some of our systems located in Newnan, Columbus and West Point, Georgia; Barron and Cameron, Wisconsin; Auburn, Rancho

Cucamonga and Victorville, California; and Lanett and Valley, Alabama. Approximately 49,000 basic customers, approximately 1.8% 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 some of our systems located in Denton, Southlake, Roanoke and Keller, Texas and Willimantic, Connecticut. These potential overbuild areas service an aggregate of approximately 54,000 basic customers or approximately 2.0% of our total basic customers. 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 each of these systems to at least 750 megahertz two-way HFC architecture, with the exceptions of our systems in Columbus, Georgia, and Willimantic, Connecticut. Upgrades to at least 750 megahertz two-way HFC architecture with respect to these two systems are expected to be completed by December 31, 2000 and December 31, 2001, respectively.

- TELEPHONE COMPANIES AND UTILITIES. The competitive environment has been significantly affected by both technological developments and regulatory changes enacted in The Telecommunications Act of 1996, which were 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 television 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.

As we expand our offerings to include Internet 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 television operators, local exchange carriers and others may result in providers capable of offering cable television, Internet, and telecommunications services in direct competition with us.

Several telephone companies have obtained or are seeking cable television 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. 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. The entry of telephone companies as direct competitors in the video marketplace, however, is likely to become more widespread and could adversely affect the profitability and valuation of the systems.

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

- SMATV. 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 "MDU's", 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. Such 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.

- 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. While no longer as significant a competitor, 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 cable television 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. The physical components of our cable television systems require maintenance and periodic upgrading to keep pace with technological advances. 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 housing our regional data center in Town & Country, Missouri, as well as the regional office for the Northeast Region in Newtown, Connecticut and additional real estate located in Hickory, North Carolina; Hammond, Louisiana; and West Sacramento and San Luis Obispo, California. Our subsidiaries lease space for our regional data center located in Dallas, Texas and additional locations for business offices throughout our operating regions. 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.

All of our properties and assets are subject to liens securing payment of indebtedness under the existing credit facilities. We believe that our properties are in good operating condition and are suitable and adequate for our business operations.

EMPLOYEES

As of the closing of the offering, Charter Communications, Inc. will have only twelve employees, all of whom are senior management and are also employees of Charter Investment, Inc. Pursuant to a services agreement between Charter Communications, Inc. and Charter Investment, Inc., Charter Investment, Inc. will provide the necessary personnel and services to manage Charter Communications Holding Company and its subsidiaries. These personnel and services will be provided to Charter Communications, Inc. on a cost reimbursement basis. As of June 30, 1999, Charter Communications Holding Company's subsidiaries had approximately 4,980 full-time equivalent employees of which 280 were represented by the International Brotherhood of Electrical Workers. We believe we have a good relationship with our employees and have never experienced a work stoppage. See "Certain Relationships and Related Transactions".

INSURANCE

We have insurance to cover risks incurred in the ordinary course of business, including general liability, property coverage, business interruption and workers' compensation insurance in amounts typical of similar operators in the cable industry and with reputable insurance providers. As is typical in the cable industry, we do not insure our underground plant. We believe our insurance coverage is adequate.

LEGAL PROCEEDINGS

We are involved from time to time in routine legal matters incidental to our business. We believe that the resolution of such matters will not have a material adverse impact on our financial position or results of operations.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 to register the Class A common stock offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information included in that registration statement. For further information about us and the Class A common stock offered in this prospectus, you should refer to the registration statement and its exhibits. After completion of the offering, we will be required to file annual, quarterly and other information with the SEC. You may read and copy any document we file with the SEC at the public reference facilities maintained by the SEC 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 1000, Atlanta, Georgia

30326-1232. Copies of such material may be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You can also review such material by accessing the SEC's Internet web site at http:// www.sec.gov. This site contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

We intend to furnish to each holder of our Class A common stock annual reports containing audited financial statements and quarterly reports containing unaudited financial information for the first three quarters of each fiscal year. We will also furnish to each holder of our Class A common stock such other reports as may be required by law.

## REGULATION AND LEGISLATION

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

The operation of a cable system is extensively regulated by the Federal Communications Commission, some state governments and most local governments. The 1996 Telecom Act has altered the regulatory structure governing the nation's communications providers. It removes barriers to competition in both the cable television market and the local telephone market. Among other things, it also reduces the scope of cable rate regulation and encourages 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 requires 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 are subject to rate regulation, unless they face "effective competition" in their local franchise area. Federal law now defines "effective competition" on a community-specific basis as requiring satisfaction of conditions rarely satisfied in the current marketplace.

Although the Federal Communications Commission has 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 -- 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 June 30, 1999, approximately 21% 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 rates in the future.

The Federal Communications Commission itself directly administers rate regulation of cable programming service tiers, which is expanded basic programming offering more services than basic programming, which typically contain satellite-delivered programming. Under the 1996 Telecom Act, the Federal Communications Commission can regulate cable programming service tier rates only if a local franchising authority first receives at least two rate complaints from local subscribers and then files a formal complaint with the Federal Communications Commission. When new cable programming service tier rate complaints are filed, the Federal Communications Commission considers only whether the incremental increase is justified and it will not reduce the previously established cable programming service tier rate. We currently have rate complaints relating to approximately 240,000 subscribers pending at the Federal Communications Commission. The Federal Communications Commission's authority to regulate cable programming service tier rates effectively expired on March 31, 1999. The Federal Communications Commission has taken the position that it will still adjudicate cable programming service tier complaints filed after this sunset date, but no later than 180 days after the last cable programming service tier rate increase imposed prior to March 31, 1999, and will strictly limit its review, and possibly refund orders, to the time period predating the sunset date. We do not believe any adjudications regarding these pre-sunset complaints will have a material adverse effect on our business. The elimination of cable programming service tier regulation, which is the rate regulation of a particular level of packaged programming services, typically referring to the expanded basic level of service, on a prospective basis 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. The Federal Communications Commission has modified its rate adjustment regulations to allow for annual rate increases and to minimize previous problems associated with regulatory lag. 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 operations. 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. 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 sunsets in 2002.

As noted above, Federal Communications Commission regulation of cable programming service tier rates for all systems, regardless of size, sunset pursuant to the 1996 Telecom Act on March 31, 1999. Certain legislators, however, have called for new rate regulations if unregulated cost rates increase dramatically. 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 telecommunication 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 telecommunication 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 recently clarified that a cable operator's favorable pole rates are not endangered by the provision of Internet access.

Cable entry into telecommunications will be affected by the regulatory landscape now being developed by the Federal Communications Commission and state regulators. One critical component of the 1996 Telecom Act to facilitate the entry of new telecommunications providers, including cable operators, is the interconnection obligation imposed on all telecommunications carriers. In July 1997, the Eighth Circuit Court of Appeals vacated certain aspects of the Federal Communications Commission initial interconnection order but most of that decision was reversed by the U.S. Supreme Court in January 1999. The Supreme Court effectively upheld most of the Federal Communications Commission interconnection regulations. Although these regulations should enable new telecommunications entrants to reach viable interconnection agreements with incumbent carriers, many issues, including whether the Federal Communications Commission ultimately can mandate that incumbent carriers make available specific network elements, remains subject to further Federal Communications Commission review. Aggressive regulation by the Federal Communications Commission in this area, if upheld by the courts, would make it easier for us to provide telecommunications service.

INTERNET SERVICE. Although there is at present no significant federal regulation of cable system delivery of Internet services, and the Federal Communications Commission recently issued a report to Congress 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. Certain Internet service providers also are attempting to use existing modes of access that are commercially leased to gain access to cable system delivery. A petition on this issue is now pending before the Federal Communications Commission. Finally, some local franchising authorities are considering the imposition of mandatory Internet access requirements as part of cable franchise renewals or transfers. A federal district court in Portland, Oregon recently upheld the legal ability of local franchising authority to impose such conditions, but an appeal has been filed. Other local authorities have imposed or may impose mandatory Internet access requirements on cable operators. These developments could, if they become widespread, 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, and certain local exchange carriers have begun offering cable service.

Various local exchange carriers currently are seeking to provide 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. 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 recently reversed certain of the Federal Communications Commission's open video system rules, including its preemption of local franchising. That decision may be subject to further appeal. 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. 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 has adopted rules that preclude any cable operator from serving more than 30% of all U.S. domestic video subscribers, including cable and direct broadcast satellite subscribers. However, this provision has been stayed pending further judicial review.

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 a "must carry" status or a "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. A rulemaking is now pending at the Federal Communications Commission regarding the imposition of dual digital and analog must carry.

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. A new request has been forwarded to the Federal Communications Commission, however, requesting that unaffiliated Internet service providers be found eligible for commercial leased access. Although we do not believe such use is in accord with the governing statute, a contrary ruling could lead to substantial leased activity by Internet service providers and disrupt our own plans for Internet service.

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. Recently, there has been increased interest 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. These changes should not have a dramatic impact on us, but would limit potential competitive advantages we now enjoy.

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 abrogating 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 antenna 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 cable converters 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 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.

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 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 Association of Songwriters, Composers, Artists and Producers and Broadcast Music, Inc. The cable industry and Broadcast Music have reached a standard licensing agreement, and negotiations with the Association of Songwriters are ongoing. Although we cannot predict the ultimate outcome of these industry negotiations 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 television 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 failed 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.

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, cable operators are not required to obtain franchises for the provision of telecommunications services, and local franchising authorities are prohibited from limiting, restricting, or conditioning the provision of such services. 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

## EXECUTIVE OFFICERS AND DIRECTORS

As of the completion of the offering, the following will be the executive officers and directors of Charter Communications, Inc. As of the date of this prospectus, there are three directors of Charter Communications, Inc. Upon the closing of the offering, three independent directors will be appointed to the board. After the offering, one additional director will be appointed to the board. All directors will serve until Charter Communications, Inc.'s next annual meeting. Mr. Allen, the holder of all of the Class B common stock, is entitled to elect all but one of the directors. The remaining director is elected by the holders of Class B common stock and Class A common stock voting together as a class. See "Description of Capital Stock and Membership Units -- Voting Rights".

| EXECUTIVE OFFICERS AND DIRECTORS AS OF THE DATE OF THIS PROSPECTUS | AGE | POSITION |
|---|---|---|
| Paul G. Allen | 46 | Chairman of the Board of Directors |
| William D. Savoy | 35 | Director |
| Jerald L. Kent | 43 | President, Chief Executive Officer and Director |
| David G. Barford | 41 | Senior Vice President of Operations -- Western Division |
| Mary Pat Blake | 44 | Senior Vice President -- Marketing and Programming |
| Eric A. Freesmeier | 46 | Senior Vice President -- Administration |
| Thomas R. Jokerst | 50 | Senior Vice President -- Advanced Technology Development |
| Kent D. Kalkwarf | 40 | Senior Vice President and Chief Financial Officer |
| Ralph G. Kelly | 42 | Senior Vice President -- Treasurer |
| David L. McCall | 44 | Senior Vice President of Operations -- Eastern Division |
| John C. Pietri | 50 | Senior Vice President -- Engineering |
| Steven A. Schumm | 47 | Executive Vice President, Assistant to the President |
| Curtis S. Shaw | 50 | Senior Vice President, General Counsel and Secretary |
| Stephen E. Silva | 39 | Senior Vice President -- Corporate Development and Technology |
| TO BE APPOINTED UPON CLOSING OF THE OFFERING | | |
| Ronald L. Nelson | 47 | Director |
| Nancy B. Peretsman | 45 | Director |
| Howard L. Wood | 60 | Director |
| TO BE APPOINTED AFTER THE OFFERING | | |
| Marc B. Nathanson | 54 | Director |

The following sets forth certain biographical information with respect to our executive officers, directors and director nominees.

PAUL G. ALLEN is the Chairman of the board of directors of Charter Communications, Inc. and of the board of directors of Charter Investment, Inc.

Mr. Allen has been a private investor for more than five years, with interests in a wide variety of companies, many of which focus on multimedia digital communications. Such companies include Interval Research Corporation, of which Mr. Allen is a director, Vulcan Ventures, Inc., of which Mr. Allen is the President, Chief Executive Officer and Chairman of the board of directors, Vulcan Northwest, Inc., of which Mr. Allen is the Chairman of the board, Vulcan Programming, Inc. and Vulcan Cable III Inc. In addition, Mr. Allen is the owner and the Chairman of the board of directors of the Portland Trail Blazers of the National Basketball Association, and is the owner and the Chairman of the board of directors of the Seattle Seahawks of the National Football League. Mr. Allen currently serves as a director of Microsoft Corporation and USA Networks, Inc. and also serves as a director of various private corporations.

WILLIAM D. SAVOY is a director of Charter Communications, Inc., Charter Holdings and Charter Investment, Inc. Since 1990, Mr. Savoy has been an officer and a director for many affiliates of Mr. Allen, including Vice President and a director of Vulcan Ventures, President of Vulcan Northwest, President and a director of Vulcan Programming and President and director of Vulcan Cable III Inc. From 1987 until November 1990, Mr. Savoy was employed by Layered, Inc. and became its President in 1988. Mr. Savoy serves on the Advisory Board of DreamWorks SKG and also serves as director of CNET, Inc., Go2Net, Inc., Harbinger Corporation, High Speed Access Corp., Metricom, Inc., Telescan, Inc., Ticketmaster Online -- CitySearch, Inc., USA Networks, Inc. and Value America, Inc. Mr. Savoy holds a B.S. in computer science, accounting and finance from Atlantic Union College.

JERALD L. KENT is the President, Chief Executive Officer and director of Charter Communications, Inc., Charter Holdings, Charter Communications Holdings Capital Corporation and Charter Investment, Inc. and has previously held the position of Chief Financial Officer of Charter Investment, Inc. Prior to co-founding Charter Investment, Inc. in 1993, Mr. Kent was associated with Cencom Cable Associates, Inc., where he served as Executive Vice President and Chief Financial Officer. Mr. Kent also served Cencom as Senior Vice President of Finance from May 1987, Senior Vice President of Acquisitions and Finance from July 1988, and Senior Vice President and Chief Financial Officer from January 1989. Mr. Kent is a member of the board of directors of High Speed Access Corp., Cable Television Laboratories, Inc. and Com21 Inc. Prior to that time, Mr. Kent was employed by Arthur Andersen LLP, certified public accountants, where he attained the position of tax manager. Mr. Kent, a certified public accountant, received his undergraduate and M.B.A. degrees with honors from Washington University (St. Louis).

DAVID G. BARFORD is Senior Vice President of Operations -- Western Division of Charter Communications, Inc. and Charter Investment, Inc. where he has primary responsibility for all cable operations in the Central, Western, North Central and MetroPlex Regions. Prior to joining Charter Investment, Inc. in July 1995, he served as Vice President of Operations and New Business Development for Comcast Cable Communications, Inc., where he held various senior marketing and operating roles since November 1986. Mr. Barford received a B.A. degree from California State University, Fullerton and an M.B.A. from National University in La Jolla, California.

MARY PAT BLAKE is Senior Vice President -- Marketing and Programming of Charter Communications, Inc. and Charter Investment, Inc. and is responsible for all aspects of marketing, sales and programming and advertising sales. Prior to joining Charter Investment, Inc. in August 1995, Ms. Blake was active in the emerging business sector, and formed Blake Investments, Inc. in September 1993, which created, operated and sold a branded coffeehouse and bakery. From September 1990 to August 1993, Ms. Blake served as Director -- Marketing for Brown Shoe Company. Ms. Blake has 18 years of experience with senior management responsibilities in marketing, sales, finance, systems, and general management with companies such as The West Coast Group, Pepsico Inc.-Taco Bell Division, General Mills, Inc. and ADP Network Services, Inc. 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 is Senior Vice President -- Administration of Charter Communications, Inc. and Charter Investment, Inc. and is responsible for human resources, public relations and communications, corporate facilities and aviation. From 1986 until joining Charter Investment, Inc. in April 1998, he served in various executive management positions at Edison Brothers Stores, Inc., a specialty retail company where his most recent position was Executive Vice President -- Human Resources and Administration. From 1974 to 1986, Mr. Freesmeier held management and executive positions with Montgomery Ward, a national mass merchandise retailer, and its various subsidiaries. Mr. Freesmeier holds Bachelor of Business degrees in marketing and industrial relations from the University of Iowa and a Masters of Management degree in finance from Northwestern University's Kellogg Graduate School of Management.

THOMAS R. JOKERST is Senior Vice President -- Advanced Technology Development of Charter Communications, Inc. and Charter Investment, Inc. Prior to his appointment to this position, Mr. Jokerst held the position of Senior Vice President -- Engineering since January 1994. Prior to joining Charter Investment, Inc., from March 1991 to March 1993, Mr. Jokerst served as Vice President -- Office of Science and Technology for Cable Television Laboratories in Boulder, Colorado. From June 1976 to March 1993, Mr. Jokerst was Director of Engineering for the midwest region of Continental Cablevision. Mr. Jokerst participates in professional activities with the National Cable Television Association, SCTE and Cable Television Laboratories. Mr. Jokerst is a graduate of Ranken Technical Institute in St. Louis with a degree in communications electronics and computer technology and of Southern Illinois University in Carbondale, Illinois with a degree in electronics technology.

KENT D. KALKWARF is Senior Vice President and Chief Financial Officer of Charter Communications, Inc., Charter Holdings, Charter Communications Holdings Capital Corporation and Charter Investment, Inc. From July 1995 to May 1997, Mr. Kalkwarf served as a Vice President. Prior to joining Charter Investment, Inc. in 1995, Mr. Kalkwarf was employed by Arthur Andersen LLP, from 1982 to July 1995, where he attained the position of senior tax manager. Mr. Kalkwarf 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 is Senior Vice President -- Treasurer of Charter Communications, Inc., Charter Holdings, Charter Communications Holdings Capital Corporation and Charter Investment, Inc. Mr. Kelly joined Charter Investment Inc. in 1993 as Vice President -- Finance, a position he held until early 1994 when he became Chief Financial Officer of CableMaxx, Inc., a wireless cable television operator. Mr. Kelly returned to Charter Investment, Inc. as Senior Vice President -- Treasurer in February 1996, and has responsibility for treasury operations, investor relations and financial reporting. From 1984 to 1993, Mr. Kelly was associated with Cencom Cable Associates, Inc. where he held the positions of Controller from 1984 to 1989 and Treasurer from 1990 to 1993. Mr. Kelly is a certified public accountant and was in the audit division of Arthur Andersen LLP from 1979 to 1984. Mr. Kelly received his undergraduate degree in accounting from the University of Missouri -- Columbia and his M.B.A. from Saint Louis University.

DAVID L. MCCALL is Senior Vice President of Operations -- Eastern Division of Charter Communications, Inc. and Charter Investment, Inc. Mr. McCall joined Charter Investment, Inc. in January 1995 as Regional Vice President Operations and has primary responsibility for all cable system operations managed by Charter Investment, Inc. in the Southeast, Southern and Northeast Regions of the United States. Prior to joining Charter Investment, Inc., Mr. McCall was associated with Crown Cable and its predecessor company, Cencom Cable Associates, Inc., from 1983 to 1994. As a Regional Manager of Cencom, Mr. McCall's responsibilities included supervising all aspects of operations for systems located in North Carolina, South Carolina and Georgia, consisting of over 142,000 customers. From 1977 to 1982, Mr. McCall was System Manager of Coaxial Cable Developers (known as Teleview Cablevision) in Simpsonville, South Carolina. Mr. McCall has served as a director of the South Carolina Cable Television Association for the past ten years.

JOHN C. PIETRI is Senior Vice President -- Engineering of Charter Communications, Inc. and Charter Investment, Inc. since November 1998. Prior to joining Charter Investment, Inc. Mr. Pietri was with Marcus Cable in Dallas, Texas for eight years, most recently serving as Senior Vice President and Chief Technical Officer. Prior to Marcus, Mr. Pietri served as Regional Technical Operations Manager for West Marc Communications in Denver, Colorado, and before that he served as Operations Manager with Minnesota Utility Contracting. Mr. Pietri attended the University of Wisconsin-Oshkosh.

STEVEN A. SCHUMM is Executive Vice President and Assistant to the President of Charter Communications, Inc., Charter Holdings, Charter Communications Holdings Capital Corporation and Charter Investment, Inc. Mr. Schumm joined Charter Investment, Inc. in December 1998 and currently directs the MIS Regulatory and Financial Controls Groups. Prior to joining Charter Investment, Inc., Mr. Schumm was managing partner of the St. Louis office of Ernst & Young LLP. Mr. Schumm was with Ernst & Young LLP for 24 years and was a partner of the firm for 14 of those years. Mr. Schumm held various management positions with Ernst & Young LLP, including the Director of Tax Services for the three-city area of St. Louis, Kansas City and Wichita and then National Director of Industry Tax Services. He served as one of 10 members comprising the firm's National Tax Committee. Mr. Schumm earned a B.S. degree from Saint Louis University with a major in accounting.

CURTIS S. SHAW is Senior Vice President, General Counsel and Secretary of Charter Communications, Inc., Charter Holdings, Charter Communications Holdings Capital Corporation and Charter Investment, Inc. and is responsible for all legal aspects of their businesses, government relations and the duties of the corporate secretary. Prior to joining Charter Investment, Inc. in February 1997, Mr. Shaw served as Corporate Counsel to NYNEX since 1988. From 1983 until 1988, Mr. Shaw served as Associate General Counsel for Occidental Chemical Corporation, and, from 1986 until 1988, as Vice President and General Counsel of its largest operating division. Mr. Shaw has 25 years of experience 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. with honors from Trinity College and a J.D. from Columbia University School of Law.

STEPHEN E. SILVA is Senior Vice President -- Corporate Development and Technology of Charter Communications, Inc. and Charter Investment, Inc. and is responsible for strategic development, testing and initial rollout of new products and services. From 1983 until joining Charter Investment, Inc. in April 1995, Mr. Silva served in various management positions at U.S. Computer Services, Inc. (doing business as CableData), a service bureau organization engaged in customer billing services. Mr. Silva joined Charter Investment, Inc. as Director of Billing Services, and was promoted to Vice President -- Information Services in January 1997. Mr. Silva became Vice President -- Corporate Development and Technology in April 1998, and was promoted to Senior Vice President -- Corporate Development and Technology in September 1999. Mr. Silva is a member of the board of directors of High Speed Access Corp.

DIRECTORS TO BE APPOINTED UPON CLOSING OF THE OFFERING

Each of the following persons has agreed to join the board of directors of Charter Communications, Inc. upon the closing of the offering:

RONALD L. NELSON is a founding member of DreamWorks LLC and has been serving as a member of its executive management team since 1994 with responsibility for overseeing operations and corporate finance. Prior to joining DreamWorks, Mr. Nelson was employed for 15 years by Paramount Communications Inc. (formerly Gulf + Western Inc.), serving in a variety of operating and executive positions. Mr. Nelson was elected Executive Vice President of Paramount Communications in 1990 and was appointed to its board of directors in 1992. He also served as Chief Financial Officer of the corporation from 1987 until 1994. Mr. Nelson serves on the board of directors of Advanced Tissue Sciences, a biotechnology firm. Mr. Nelson has a B.S. in biochemistry from the University of California at Berkeley and a masters degree in business from the University of California at Los Angeles.

NANCY B. PERETSMAN has been a managing director and executive vice president of Allen & Company Incorporated, an investment bank unrelated to Mr. Allen, since

June 1995. Prior to joining Allen & Company Incorporated, Ms. Peretsman had been an investment banker since 1983 at Salomon Brothers Inc, where she was a managing director since 1990. She served for fourteen years on the Board of Trustees of Princeton University and is currently an emerita trustee. Ms. Peretsman also is Vice Chairman of the board of The New School and serves on the board of directors of Oxygen Media, Inc., an Internet and cable television enterprise. Ms. Peretsman also serves on the board of NewSub Services, Inc. and Priceline.com Incorporated.

HOWARD L. WOOD has agreed to join the board of directors of Charter Communications, Inc. upon the closing of the offering. Mr. Wood currently serves as Vice Chairman of Charter Communications, Inc. and Charter Investment, Inc. and is a co-founder of Charter Investment, Inc. Prior to co-founding Charter Investment, Inc. in 1993, Mr. Wood was associated with Cencom Cable Associates, Inc. Mr. Wood joined Cencom as President, Chief Financial Officer and director and assumed the additional position of Chief Executive Officer effective January 1, 1989. Prior to that time, Mr. Wood was a partner in Arthur Andersen LLP, certified public accountants, where he served as Partner-in-Charge of the St. Louis Tax Division from 1973 until joining Cencom. Mr. Wood is a certified public accountant and a member of the American Institute of Certified Public Accountants. He also serves as a director of VanLiner Group, Inc., First State Community Bank, Gaylord Entertainment Company and Data Research, Inc. Mr. Wood serves as Commissioner for the Missouri Department of Conservation. He is also a past Chairman of the board of directors and former director of the St. Louis College of Pharmacy. Mr. Wood graduated with honors from Washington University (St. Louis) School of Business.

DIRECTOR TO BE APPOINTED AFTER THE OFFERING

MARC B. NATHANSON has been Chairman of the board and Chief Executive Officer of Falcon Holding Group, Inc. and its predecessors since 1975, and prior to September 1995 also served as President. Upon the closing of the Falcon acquisition, Mr. Nathanson will be employed by Charter Communications, Inc. in a non-executive position as Vice Chairman. Prior to 1975, Mr. Nathanson was vice president of marketing for Teleprompter Corporation, then the largest cable operator in the United States. He also held executive positions with Warner Cable and Cypress Communications Corporation. He is a former President of the California Cable Television Association and a member of Cable Pioneers. He is currently a director of the National Cable Television Association and chaired its 1999 National Convention. Mr. Nathanson has served as Chairman of the board, Chief Executive Officer and President of Enstar Communications Corporation since October 1988, and is a director of Digital Entertainment Network, Inc. and an Advisory Board member of TVA (Brazil). Mr. Nathanson was appointed by President Clinton on November 1, 1998 as Chair of the Board of Governors for the International Bureau of Broadcasting, which oversees Voice of America, Radio/TV Marti, Radio Free Asia, Radio Free Europe and Radio Liberty. Mr. Nathanson is a trustee of the Annenburg School of Communications at the University of Southern California and a member of the Board of Visitors of the Anderson School of Management at UCLA. In addition, he serves on the Board of the

UCLA Foundation and the UCLA Center for Communications Policy and is on the Board of Governors of AIDS Project Los Angeles and Cable Positive.

COMMITTEES OF THE BOARD OF DIRECTORS

At the same time Charter Communications, Inc. completes this offering, it will establish an audit committee and a compensation committee, each composed of two outside directors. The audit committee will recommend the annual appointment of Charter Communications, Inc.'s auditors with whom the audit committee will review the scope of audit and non-audit assignments and related fees, accounting principles used in Charter Communications, Inc.'s financial reporting, internal auditing procedures and the adequacy of Charter Communications, Inc.'s internal control procedures. The compensation committee will make recommendations to the board regarding compensation for Charter Communications, Inc.'s executive officers.

DIRECTOR COMPENSATION

The employee directors of Charter Communications, Inc. are not entitled to any compensation for serving as a director, nor are they paid any fees for attendance at any meeting of the board of directors. Non-employee directors will be compensated in a manner to be determined. Directors may be reimbursed for the actual reasonable costs incurred in connection with attendance at board meetings.

EMPLOYMENT AND CONSULTING AGREEMENTS

Effective as of December 23, 1998, Jerald L. Kent entered into an employment agreement with Mr. Allen for a three-year term with automatic one-year renewals. The employment agreement was assigned by Mr. Allen to Charter Investment, Inc. as of December 23, 1998. Under this agreement, Mr. Kent agrees to serve as President and Chief Executive Officer of Charter Investment, Inc., with responsibility for the nationwide general management, administration and operation of all present and future business of Charter Investment, Inc. and its subsidiaries. During the initial term of the agreement, Mr. Kent will receive an annual base salary of $1,250,000, or such higher rate as may from time to time be determined by the board of directors in its discretion. In addition, Mr. Kent will be eligible to receive an annual bonus in an aggregate amount not to exceed $625,000, 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.

Under the agreement, Mr. Kent is entitled to participate in any disability insurance, pension, or other benefit plan afforded to employees generally or executives of Charter Investment, Inc. Mr. Kent will be reimbursed by Charter Investment, Inc. for life insurance premiums up to $30,000 per year, and is granted personal use of Charter Investment's airplane. Mr. Kent was also granted a car valued at up to $100,000 and membership fees and dues for his membership in a country club of his choice, but has not accepted use of the car as of the date of this prospectus. He may choose to do so in the future. Also under this agreement and a related agreement with Charter Communications Holding Company, Mr. Kent received options to purchase 3% of the equity value of all cable systems managed by Charter Investment, Inc. on the date of the grant, or 7,044,127 Charter Communications Holding Company membership units. The options have a term of ten years and vested 25% on December 23, 1998. The remaining 75% will vest 1/36 on the first day of each of the 36 months commencing on the first day of the thirteenth month following December 23, 1998. The terms of these options provide that immediately following the issuance of Charter Communications Holding Company membership units, these units will automatically convert to shares of Class A common stock. This exchange will occur on a one-for-one basis, as described under "Description of Capital Stock and Membership Units -- Exchange Agreements".

Charter Investment, Inc. agrees to 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 Investment, 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 Investment, Inc. without cause:

- Charter Investment, Inc. will pay to Mr. Kent an amount equal to the aggregate base salary due to Mr. Kent for the remaining term and the board will consider additional amounts, if any, to be paid to Mr. Kent; and

- any unvested options of Mr. Kent shall immediately vest.

Charter Investment, Inc. will assign Mr. Kent's employment agreement to Charter Communications, Inc. and Charter Communications, Inc. will assume all rights and obligations of Charter Investment, Inc. under the agreement, except with respect to the grant of options, which will be obligations of Charter Communications Holding Company.

Charter Communications, Inc. will enter into a consulting agreement with Howard L. Wood, who will become a director of Charter Communications, Inc. upon the closing of the offering. The consulting agreement will become effective upon the closing of the offering and will have a one-year term with automatic one-year renewals. Under this agreement, Mr. Wood will provide consulting services to Charter Communications, Inc. and will also be responsible for such other duties as our Chief Executive Officer determines. During the term of this agreement, Mr. Wood will receive annual cash compensation initially at a rate of $60,000. In addition, Mr. Wood will be entitled to receive disability and health benefits as well as use of an office and a full-time secretary.

Charter Communications, Inc. will enter into a consulting agreement with Barry L. Babcock, one of our founders and former Vice Chairman. The consulting agreement will expire in March 2000. Under this agreement, Mr. Babcock will provide consulting services to Charter Communications, Inc. and will be responsible for such other duties as our Chief Executive Officer determines. During the term of this agreement, Mr. Babcock will receive monthly cash compensation at a rate of $10,000 per month. In addition, Mr. Babcock will be entitled to receive disability and health benefits as well as the use of an office and secretarial services, upon request.

Charter Communications, Inc. will indemnify and hold harmless Mr. Wood and Mr. Babcock 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 them of their duties.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Upon completion of the offering, Charter Communications, Inc. will appoint three outside directors who will form Charter Communications, Inc.'s compensation committee. There are no compensation committee interlocks.

## EXECUTIVE COMPENSATION

Charter Communications, Inc. has not paid any compensation to its executive officers. Immediately prior to the offering, the executive officers will no longer be paid by Charter Investment, Inc. and will become paid employees of Charter Communications, Inc. These employees will remain as unpaid officers of Charter Investment, Inc. The employment agreement of Mr. Kent will be assigned from Charter Investment, Inc. to Charter Communications, Inc. Pursuant to a mutual services agreement between Charter Communications, Inc. and Charter Investment, Inc., to be effective upon closing of the offering, each of those entities agrees to provide services to each other, including the knowledge and expertise of their respective officers. See "Certain Relationships and Related Transactions".

The following table sets forth information regarding the compensation paid by Charter Investment, Inc. during its last completed fiscal year to the President and Chief Executive Officer and each of the other four most highly compensated executive officers as of December 31, 1998. This compensation was paid to these executive officers by certain of our subsidiaries and affiliates for their services to these entities.

SUMMARY COMPENSATION TABLE

| | | ANNUAL COMPENSATION | | | LONG-TERM COMPENSATION AWARD | |
|---|---|---|---|---|---|---|
| NAME AND PRINCIPAL POSITION | YEAR ENDED DEC. 31 | SALARY($) | BONUS($) | OTHER ANNUAL COMPENSATION($) | SECURITIES UNDERLYING OPTIONS(#) | ALL OTHER COMPENSATION($) |
| Jerald L. Kent, President and Chief Executive Officer | 1998 | 790,481 | 641,353 | -- | 7,044,127(1) | 18,821(2) |
| Barry L. Babcock(3), Vice Chairman | 1998 | 575,000 | 925,000(4) | -- | -- | 41,866(5) |
| Howard L. Wood, Vice Chairman | 1998 | 575,000 | 675,000(6) | -- | -- | 15,604(7) |
| David G. Barford, Senior Vice President of Operations -- Western Division | 1998 | 220,000 | 225,000(8) | -- | -- | 8,395,235(9) |
| Curtis S. Shaw, Senior Vice President, General Counsel and Secretary | 1998 | 190,000 | 80,000 | -- | -- | 8,182,303(10) |

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(1) Options for membership units in Charter Communications Holding Company granted pursuant to an employment agreement and a related option agreement.

(2) Includes $4,000 in 401(k) plan matching contribution, $918 in life insurance premiums, $418 in gasoline reimbursement and $13,485 attributed to personal use of Charter Investment, Inc.'s airplane.

(3) Mr. Babcock resigned as an executive officer of Charter Communications, Inc. in October 1999.

(4) Includes $500,000 earned as a one-time bonus upon signing of an employment agreement.

(5) Includes $4,000 in 401(k) plan matching contributions, $2,493 in life insurance premiums, $970 in gasoline reimbursement and $34,403 attributed to personal use of Charter Investment, Inc.'s airplane.

(6) Includes $250,000 earned as a one-time bonus upon signing of an employment agreement.

(7) Includes $4,000 in 401(k) plan matching contributions, $4,050 in life insurance premiums, $1,242 in gasoline reimbursement and $6,312 attributed to personal use of Charter Investment, Inc.'s airplane.

(8) Includes $150,000 received as a one-time bonus after completion of three years of employment.

(9) Includes $4,000 in 401(k) plan matching contribution, $347 in life insurance premiums, and $8,390,888 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 the acquisition of us by Mr. Allen on December 23, 1998, but is income for 1999.

(10) Includes $2,529 in 401(k) plan matching contribution, $807 in life insurance premiums, and $8,178,967 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 the acquisition of us by Mr. Allen on December 23, 1998, but is income for 1999.

1998 OPTION GRANTS

The following table shows individual grants of options made to certain executive officers during the fiscal year ended December 31, 1998.

| NAME | NUMBER OF MEMBERSHIP UNITS UNDERLYING OPTIONS GRANTED | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1998 | EXERCISE PRICE | EXPIRATION DATE | POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF MEMBERSHIP UNIT PRICE APPRECIATION FOR OPTION TERM(1) 5% | 10% |
|---|---|---|---|---|---|---|
| Jerald L. Kent............. | 7,044,127(2) | 100% | $20.00 | 12/22/08 | $88,600,272 | $224,530,486 |
| Barry L. Babcock........... | -- | -- | -- | -- | -- | -- |
| Howard L. Wood............. | -- | -- | -- | -- | -- | -- |
| David G. Barford........... | -- | -- | -- | -- | -- | -- |
| Curtis S. Shaw............. | -- | -- | -- | -- | -- | -- |

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(1) 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.

(2) Options for membership units in Charter Communications Holding Company granted pursuant to an employment agreement and a related option agreement which amends the options granted under the employment agreement. Under these agreements, Mr. Kent received an option to purchase 3% of the net equity value of all of the cable systems managed by Charter Investment, Inc. on the date of the grant. The option has a term of 10 years and vested one fourth on December 23, 1998, with the remaining portion vesting monthly at a rate of 1/36th on the first of each month for months 13 through 48. Upon the exercise of an option, each membership unit received will automatically be exchanged on a one-for-one basis for shares of Class A common stock.

1998 AGGREGATED OPTION EXERCISES AND OPTION VALUE TABLE

The following table sets forth for certain executive officers information concerning the options granted during the fiscal year ended December 31, 1998, and the value of unexercised options as of December 31, 1998.

| | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1998 | | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1998(1) | |
|---|---|---|---|---|
| | EXERCISABLE | UNEXERCISABLE | EXERCISABLE | UNEXERCISABLE |
| Jerald L. Kent | 1,761,032 | 5,283,095 | -- | -- |
| Barry L. Babcock | -- | -- | -- | -- |
| Howard L. Wood | -- | -- | -- | -- |
| David G. Barford | -- | -- | -- | -- |
| Curtis S. Shaw | -- | -- | -- | -- |

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(1) No options were in-the-money as of December 31, 1998.

1999 OPTION GRANTS

The following table shows individual grants of options made to certain executive officers during 1999, as of June 30, 1999. All such grants were made under the option plan.

| NAME | NUMBER OF MEMBERSHIP UNITS UNDERLYING OPTIONS GRANTED | EXERCISE PRICE | EXPIRATION DATE | AGGREGATE VALUE OF OPTIONS TO HOLDER IF CHARTER COMMUNICATIONS, INC.'S COMMON STOCK PRICE PER SHARE AT SOME FUTURE DATE IS: $18.00 | $22.00 | $26.00 | $30.00 |
|---|---|---|---|---|---|---|---|
| Jerald L. Kent | -- | -- | -- | -- | -- | -- | -- |
| Barry L. Babcock | 65,000 | $20.00 | 2/9/09 | $ 0 | $130,000 | $ 390,000 | $ 650,000 |
| Howard L. Wood | 65,000 | 20.00 | 2/9/09 | 0 | 130,000 | 390,000 | 650,000 |
| David G. Barford | 200,000 | 20.00 | 2/9/09 | 0 | 400,000 | 1,200,000 | 2,000,000 |
| Curtis S. Shaw | 200,000 | 20.00 | 2/9/09 | 0 | 400,000 | 1,200,000 | 2,000,000 |

OPTION PLAN

Charter Holdings adopted an option plan on February 9, 1999, which was assumed by Charter Communications Holding Company on May 25, 1999. This plan provides for the grant of options to purchase up to 25,009,798 membership units in Charter Communications Holding Company, which is equal to 10% of the aggregate equity value of the subsidiaries of Charter Communications Holding Company as of February 9, 1999, the date of adoption of the plan. The plan provides for grants of options to employees and consultants of Charter Communications Holding Company and its affiliates. The plan is intended to promote the long-term financial interest of Charter Communications Holding Company and its affiliates by encouraging eligible individuals to acquire an ownership position in Charter Communications Holding Company and its affiliates and providing incentives for performance. There are a total of 9,206,281 options outstanding under the plan. The options expire after ten years from the date of grant. Of those, 8,771,481 options were granted on February 9, 1999 with an exercise price of $20.00 and 434,800 options were granted on April 5, 1999 with an exercise price of $20.73. Of the options granted on

February 9, 1999, 65,000 options have vested and an additional 65,000 options will vest on the date of the closing of this offering. Of the remaining 8,641,481 options, one-fourth vest on April 3, 2000 and the remainder vest 1/45 on each monthly anniversary following April 3, 2000. One-fourth of the options granted on April 5, 1999 vest on the 15-month anniversary from April 5, 1999, with the remainder vesting 1/45 on each monthly anniversary for 45 months following the 15-month anniversary. The options expire after ten years from the date of grant.

Charter Communications Holding Company intends to issue upon the closing of the offering additional options under the plan. The number of options to be issued has not yet been determined. The exercise price for these options will be equal to the initial public offering price per share of Class A common stock in this offering.

Under the terms of the plan, following consummation of the offering, each membership unit held as a result of exercise of options will be exchanged automatically for shares of Class A common stock on a one-for-one basis. Exchanges will occur on a one-for-one basis, as described under "Description of Capital Stock and Membership Units -- Exchange Agreements".

Any unvested options issued under the plan vest immediately upon a change of control of Charter Communications Holding Company. Options will not vest upon a change of control, however, to the extent that any such acceleration of vesting would result in the disallowance of specified tax deductions that would otherwise be available to Charter Communications Holding Company or any of its affiliates or to the extent that any optionee would be liable for any excise tax under a specified section of the tax code. In the plan, a change of control includes:

(1) a sale of more than 49.9% of the outstanding membership units in Charter Communications Holding Company, except where Mr. Allen and his affiliates retain effective voting control of Charter Communications Holding Company;

(2) a merger or consolidation of Charter Communications Holding Company with or into any other corporation or entity, except where Mr. Allen and his affiliates retain effective voting control of Charter Communications Holding Company; or

(3) any other transactions or event, including a sale of the assets of Charter Communications Holding Company, that results in Mr. Allen holding less than 50.1% of the voting power of the surviving entity, except where Mr. Allen and his affiliates retain effective voting control of Charter Communications Holding Company.

The sale of Class A common stock pursuant to this prospectus is not a change of control under the option plan.

If an optionee's employment with or service to Charter Communications Holding Company or its affiliates is terminated other than for cause, the optionee has the right to exercise any vested options within sixty days of the termination of employment. After this sixty-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. In this case, Mr. Allen, or, at his option, Charter Communications Holding Company will have the right for ninety days after termination to purchase all membership units held by the optionee for a purchase price equal to the exercise price at which the optionee acquired the membership units, or the optionee's purchase price for the membership units if they were not acquired on the exercise of an option.

In the event of an optionee's death or disability, all vested options may be exercised until the earlier of their expiration and one year after the date of the optionee's death or disability. Any options not so exercised will automatically be canceled.

Upon termination for any other reason, all unvested options will immediately be canceled and the optionee will not be entitled to any payment. All vested options will be automatically canceled if not exercised within ninety days after termination.

LIMITATION OF DIRECTORS' LIABILITY AND INDEMNIFICATION MATTERS

Charter Communications, Inc.'s restated certificate of incorporation will limit 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 stockholders;

(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 Charter Communications, Inc. shall indemnify all persons whom it may indemnify pursuant thereto to the fullest extent permitted by law.

Charter Communications, Inc. plans to enter into agreements to indemnify its directors and officers, in addition to the indemnification provided for in Charter Communications, Inc.'s bylaws. These agreements, among other things, will provide for the indemnification of Charter Communications, Inc.'s directors and officers for certain expenses (including attorney's fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Charter Communications, Inc., arising out of such person's services as Charter Communications, Inc.'s director or officer, to any of Charter Communications, Inc.'s subsidiaries or to any other company or enterprise to which the person provides services at Charter Communications, Inc.'s request. Charter Communications, Inc. believes that these provisions and agreements will be necessary to attract and retain qualified directors and officers.

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 Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of Charter Communications, Inc. common stock as of the closing of the offering by:

- each person known by us to own beneficially 5% or more of the outstanding shares of Charter Communications, Inc. common stock and Charter Communications Holding Company membership units;

- each of our directors who owns common stock or membership units;

- each of our named executive officers who owns Charter Communications, Inc. common stock or membership units; and

- all current directors and executive officers as a group.

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

- each holder of Class A common stock is entitled to one vote per share; and

- each holder of Class B common stock is entitled to a number of votes based on the number of outstanding Class B common stock and outstanding membership units exchangeable for Class B common stock. For example, Mr. Allen will be 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 held by him or his affiliates.

| NAME AND ADDRESS OF BENEFICIAL OWNER | NUMBER OF SHARES BENEFICIALLY OWNED(1) | PERCENTAGE OF SHARES BENEFICIALLY OWNED(1) | PERCENTAGE OF VOTING POWER(1) |
|---|---|---|---|
| Paul G. Allen(2)(3) | 317,955,052 | 57.2% | 95.0% |
| Charter Investment, Inc.(4)(5) | 217,585,246 | 39.1% | 0.0% |
| Vulcan Cable III Inc.(2)(5) | 107,319,806 | 19.3% | 0.0% |
| Jerald L. Kent(4)(6) | 5,261,032 | 0.9% | 0.0% |
| Barry L. Babcock(4)(7) | 2,565,000 | 0.5% | 0.0% |
| Howard L. Wood(4)(8) | 1,065,000 | 0.2% | 0.0% |
| Marc B. Nathanson(9) | 16,431,716 | 3.0% | 0.0% |
| All directors and executive officers as a group (18 persons) | 340,712,799 | 61.1% | 95.0% |

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(1) In calculating beneficial share ownership and percentages, we have made the same assumptions described on page 4 with respect to our organizational chart, except for options granted to our chief executive officer that have vested. In calculating the voting power percentages, we have also assumed that membership units have not been exchanged for Class A or Class B common stock. Membership units are exchangeable for Charter Communications, Inc. common stock on a one-for-one basis. Class B common stock is convertible into Class A common stock on a one-for-one basis.

(2) The address of these persons is 110 110th Street, NE, Suite 500, Bellevue, WA 98004.

(3) Represents 210,585,246 membership units attributable to such holder because of his equity interest in Charter Investment, Inc.; 107,319,806 membership units attributable to such holder because of his equity interest in Vulcan Cable III Inc.; and 50,000 shares of Class B common stock.

(4) The address of these persons is Charter Communications, Inc., 12444 Powerscourt Drive, St. Louis, MO 63131.

(5) Represents membership units.

(6) Represents 3,500,000 membership units attributable to such holder because of his equity interest in Charter Investment, Inc.; and 1,761,032 shares of Class A common stock issuable upon the exchange of membership units issuable upon the exercise of options to purchase membership units.

(7) Represents 2,500,000 membership units attributable to such holder because of his equity interest in Charter Investment, Inc. and 65,000 shares of Class A common stock issuable upon exchange of membership units issuable upon exercise of options to purchase membership units.

(8) Represents 1,000,000 membership units attributable to such holder because of his equity interest in Charter Investment, Inc. and 65,000 shares of Class A common stock issuable upon exchange of membership units issuable upon exercise of options to purchase membership units.

(9) Represents membership units that will be acquired by the Falcon sellers in the Falcon acquisition. Falcon Holding Group, L.P. will acquire all of these membership units at the closing of the Falcon acquisition. Falcon Holding Group, Inc., which is controlled by Mr. Nathanson, is the general partner of Falcon Holding Group, L.P. Mr. Nathanson disclaims beneficial ownership of all shares owned by Falcon Holding Group, L.P. or its partners, other than any such shares he will directly own. The address of this person is c/o Falcon Communications LP and Affiliates, 10900 Wilshire Blvd., Los Angeles, CA 90024.

# CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following sets forth certain transactions in which we and our directors, executive officers and affiliates, including the directors and executive officers of Charter Investment, Inc., 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.

## TRANSACTIONS WITH MANAGEMENT AND OTHERS

### MERGER WITH MARCUS

On April 23, 1998, Mr. Allen acquired approximately 99% of the non-voting economic interests in Marcus Cable, and agreed to acquire the remaining interests in Marcus Cable. The aggregate purchase price was approximately $1.4 billion, excluding $1.8 billion in debt assumed. On February 22, 1999, Marcus Holdings was formed, and all of Mr. Allen's interests in Marcus Cable were transferred to Marcus Holdings on March 15, 1999. On March 31, 1999, Mr. Allen completed the acquisition of all remaining interests in Marcus Cable.

On December 23, 1998, Mr. Allen acquired approximately 94% of the equity of Charter Investment, Inc. for an aggregate purchase price of approximately $2.2 billion, excluding $2.0 billion in debt assumed. On February 9, 1999, Charter Holdings was formed as a wholly owned subsidiary of Charter Investment, Inc. On February 10, 1999, Charter Operating was formed as a wholly owned subsidiary of Charter 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. On May 25, 1999, Charter Communications Holding Company was formed as a wholly owned subsidiary of Charter Investment, Inc. All of Charter Investment, Inc.'s equity interests in Charter Holdings were transferred to Charter Communications Holding Company.

In March 1999, we paid $20 million to Vulcan Northwest, an affiliate of Mr. Allen, for reimbursement of direct costs incurred in connection with Mr. Allen's acquisition of Marcus Cable. Such costs were principally comprised of financial, advisory, legal and accounting fees.

On April 7, 1999, Mr. Allen merged Marcus Holdings into Charter Holdings. Charter Holdings survived the merger, and the operating subsidiaries of Marcus Holdings became subsidiaries of Charter Holdings.

At the time Charter Holdings issued $3.6 billion in principal amount of notes, this merger had not yet occurred. Consequently, Marcus Holdings was a party to the indentures governing the notes as a guarantor of Charter Holdings' obligations. Charter Holdings loaned some of the proceeds from the sale of the original notes to Marcus Holdings, which amounts were used to complete the cash tender offers for then-outstanding notes of subsidiaries of Marcus Holdings. Marcus Holdings issued a promissory note in favor of Charter Holdings. The promissory note was in the amount of $1.7 billion, with an interest rate of 9.92% and a maturity date of April 1, 2007. Marcus

Holdings guaranteed its obligations under the promissory note by entering into a pledge agreement in favor of Charter Holdings pursuant to which Marcus Holdings pledged all of its equity interests in Marcus Cable as collateral for the payment and performance of the promissory note. Charter Holdings pledged this promissory note to the trustee under the indentures as collateral for the equal and ratable benefit of the holders of the notes. Upon the closing of the merger, and in accordance with the terms of the notes and the indentures:

- the guarantee issued by Marcus Holdings was automatically terminated;

- the promissory note issued by Marcus Holdings was automatically extinguished, with no interest having accrued or being paid; and

- the pledge in favor of Charter Holdings of the equity interests in Marcus Cable as collateral under the promissory note and the pledge in favor of the trustee of the promissory note as collateral for the notes were automatically released.

MANAGEMENT AGREEMENTS

PREVIOUS MANAGEMENT AGREEMENTS. Prior to March 18, 1999, pursuant to a series of management agreements with certain of our subsidiaries, Charter Investment, Inc. provided management and consulting services to those subsidiaries. In exchange for these services, Charter Investment, Inc. was entitled to receive management fees of 3% to 5% of the gross revenues of all of our systems plus reimbursement of expenses. However, our previous credit facilities limited such management fees to 3% of gross revenues. The balance of management fees payable under the previous management agreements was accrued. Payment is at the discretion of Charter Investment, Inc. Certain deferred portions of management fees bore interest at the rate of 8% per annum. Following the closing of our current credit facilities, the previous management agreements were replaced by a revised management agreement. The material terms of our previous management agreements are substantially similar to the material terms of the revised management agreement.

PREVIOUS MANAGEMENT AGREEMENT WITH MARCUS. On October 6, 1998, Marcus Cable entered into a management consulting agreement with Charter Investment, Inc. pursuant to which Charter Investment, Inc. agreed to provide certain management and consulting services to Marcus Cable and its subsidiaries, in exchange for a fee equal to 3% of the gross revenues of Marcus Cable's systems plus reimbursement of expenses. Management fees expensed by Marcus Cable during the period from October 1998 to December 31, 1998 were approximately $3.3 million. Upon Charter Holdings' merger with Marcus Holdings and the closing of our current credit facilities, this agreement was terminated and the subsidiaries of Marcus Cable now receive management and consulting services from Charter Investment, Inc. under the revised management agreement.

THE REVISED MANAGEMENT AGREEMENT. On February 23, 1999, Charter Investment, Inc. entered into a revised management agreement with Charter Operating, which was amended and restated as of March 17, 1999. Upon the closing of our current credit facilities on March 18, 1999, our previous management agreements and the management consulting agreement with Marcus Cable terminated and the revised management agreement became operative. Under the revised management agreement, Charter Investment, Inc. has agreed to manage the operations of the cable television systems owned by Charter Operating's subsidiaries, as well as any cable television systems Charter Operating may subsequently acquire in the future. The term of the revised management agreement is ten years.

The revised management agreement provides that Charter Operating will pay Charter Investment, Inc. a management fee equal to its actual costs to provide these services and a management fee of 3.5% of gross revenues. Gross revenues include all revenues from the operation of Charter Operating's cable systems, including, without limitation, subscriber payments, advertising revenues, and revenues from other services provided by Charter Operating's cable systems. Gross revenues do not include interest income or income from investments unrelated to our cable systems.

Payment of the management fee to Charter Investment, Inc. is permitted under our current credit facilities, but ranks below our payment obligations under our current credit facilities. In the event any portion of the management fee due and payable is not paid by Charter Operating, it is deferred and accrued as a liability. 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. As of June 30, 1999, no interest had been accrued.

The management fee is payable to Charter Investment, Inc. quarterly in arrears. If the current management agreement is terminated, Charter Investment, Inc. is entitled to receive the fee payable for an entire quarter, even if termination occurred before the end of that quarter. Additionally, Charter Investment, Inc. is entitled to receive payment of any deferred amount.

Pursuant to the terms of the revised management agreement, Charter Operating has agreed to indemnify and hold harmless Charter Investment, Inc. and its shareholders, directors, officers and employees. This indemnity extends to any and all claims or expenses, including reasonable attorneys' fees, incurred by them in connection with any action not constituting gross negligence or willful misconduct taken by them in good faith in the discharge of their duties to Charter Operating.

The total management fees, including expenses, earned by Charter Investment, Inc. under all management agreements were as follows:

| YEAR | FEES PAID | TOTAL FEES EARNED |
|---|---|---|
| | (IN THOUSANDS) | |
| Six Months Ended June 30, 1999 | $23,388 | $20,796 |
| Year Ended December 31, 1998 | 17,073 | 27,500 |
| Year Ended December 31, 1997 | 14,772 | 20,290 |
| Year Ended December 31, 1996 | 11,792 | 15,443 |

As of June 30, 1999, approximately $17.0 million remains unpaid for all management agreements.

ASSIGNMENT AND AMENDMENT OF REVISED MANAGEMENT AGREEMENT. Upon the closing of the offering, Charter Investment, Inc. will assign to Charter Communications, Inc. all of its rights and obligations under the revised Charter Operating management agreement. In connection with the assignment, the revised Charter Operating management agreement will be amended to eliminate the 3.5% management fee. Under the amended agreement, Charter Communications, Inc. will be entitled to reimbursement from Charter Operating for all of its expenses, costs, losses, liabilities and damages paid or incurred by it in connection with the performance of its obligations under the amended agreement, with no cap on the amount of reimbursement.

MANAGEMENT AGREEMENT WITH CHARTER COMMUNICATIONS, INC. Upon the closing of the offering, Charter Communications, Inc. intends to enter into a management agreement with Charter Communications Holding Company. This management agreement will provide that Charter Communications, Inc. will manage and operate the cable television systems owned or to be acquired by Charter Communications Holding Company and its subsidiaries.

The terms of the Charter Communications, Inc. management agreement will be substantially similar to the terms of the Charter Operating management agreement. Charter Communications, Inc. will be entitled to reimbursement from Charter Communications Holding Company for all expenses, costs, losses, liabilities and damages paid or incurred by Charter Communications, Inc. in connection with the performance of its services, which expenses will include any fees Charter Communications, Inc. is obligated to pay under the mutual services agreement described below. There is no cap on the amount of reimbursement to which Charter Communications, Inc. is entitled.

MUTUAL SERVICES AGREEMENT WITH CHARTER INVESTMENT, INC. Charter Communications, Inc. will initially have only twelve executive officers, all of whom are also employees of Charter Investment, Inc. Charter Communications, Inc. and Charter Investment, Inc. will enter into a mutual services agreement to be effective upon the closing of the offering. Pursuant to the mutual services agreement, each entity agrees to provide services to the other as may be reasonably requested in order to manage Charter Communications Holding Company and to manage and operate our cable systems. In addition, officers of Charter Investment, Inc. will also serve as officers of Charter Communications, Inc. The officers and employees of each entity will be available to the other to provide the services described above. All expenses and costs incurred with respect to the services provided will be paid by Charter Communications, Inc. Charter Communications, Inc. will indemnify and hold harmless Charter Investment, Inc. and its 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 term of the mutual services agreement will be ten years, commencing on the closing of the offering, and the agreement may be terminated at any time by either party upon thirty days' written notice to the other.

CONSULTING AGREEMENT

On March 10, 1999, Charter Holdings entered into a consulting agreement with Vulcan Northwest and Charter Investment, Inc. Pursuant to the terms of the consulting agreement, Charter Holdings retained Vulcan Northwest and Charter Investment, Inc. to provide advisory, financial and other consulting services with respect to acquisitions of the business, assets or stock of other companies by Charter Holdings or by any of its affiliates. Such services include participation in the evaluation, negotiation and implementation of these acquisitions. The agreement expires on December 31, 2000, and automatically renews for successive one-year terms unless otherwise terminated.

All reasonable out-of-pocket expenses incurred by Vulcan Northwest and Charter Investment, Inc. are Charter Holdings' responsibility and must be reimbursed. Charter Holdings must also pay Vulcan Northwest and Charter Investment, Inc. a fee for their services rendered for each acquisition made by Charter Holdings or any of its affiliates. This fee equals 1% of the aggregate value of such acquisition. Neither Vulcan Northwest nor Charter Investment, Inc. will receive a fee in connection with the American Cable, Renaissance, Greater Media, Helicon, Vista, Cable Satellite, InterMedia and Rifkin acquisitions. No such fee is payable to either Vulcan Northwest or Charter Investment, Inc. in connection with other acquisitions being made by Charter Holdings' affiliates. Charter Holdings has also agreed to indemnify and hold harmless Vulcan Northwest and Charter Investment, Inc., and their respective officers, directors, stockholders, agents, employees and affiliates, for all claims, actions, demands and expenses that arise out of this consulting agreement and the services they provide to Charter Holdings.

Mr. Allen owns 100% of Vulcan Northwest and is the Chairman of the board. William D. Savoy, another of Charter Communications, Inc.'s directors, is the President and a director of Vulcan Northwest.

TRANSACTIONS WITH PAUL G. ALLEN

On December 21, 1998, Mr. Allen contributed approximately $431 million to Charter Investment, Inc. and received non-voting common stock of Charter Investment, Inc. Such non-voting common stock was converted to voting common stock on December 23, 1998.

On December 23, 1998, Mr. Allen contributed approximately $1.3 billion to Charter Investment, Inc. and received voting common stock of Charter Investment, Inc. Additionally, Charter Investment, Inc. borrowed approximately $6.2 million in the form of a bridge loan from Mr. Allen. This bridge loan was contributed by Mr. Allen to Charter Investment, Inc. in March 1999. No interest on such bridge loan was accrued or paid by Charter Investment, Inc. On the same date, Mr. Allen also contributed approximately $223.5 million to Vulcan Cable II, Inc., a company owned by Mr. Allen. Vulcan II was merged with and into Charter Investment, Inc.

On January 5, 1999, Charter Investment, Inc. borrowed approximately $132.2 million in the form of a bridge loan from Mr. Allen. This bridge loan was contributed by Mr. Allen to Charter Investment, Inc. in March 1999. No interest on such bridge loan was accrued or paid by Charter Investment, Inc. On the same date, Mr. Allen also acquired additional voting common stock of Charter Investment, Inc. from Jerald L. Kent, Howard L. Wood and Barry L. Babcock for an aggregate purchase price of approximately $176.7 million.

On January 11, 1999, Charter Investment, Inc. borrowed $25 million in the form of a bridge loan from Mr. Allen. This bridge loan was contributed by Mr. Allen to Charter Investment, Inc. in March 1999. No interest on such bridge loan was accrued or paid by Charter Investment, Inc.

On March 16, 1999, Charter Investment, Inc. borrowed approximately $124.8 million in the form of a bridge loan from Mr. Allen. This bridge loan was contributed by Mr. Allen to Charter Investment, Inc. in March 1999. No interest on such bridge loan was accrued or paid by Charter Investment, Inc.

The $431 million contribution was used to redeem stock of certain shareholders in Charter Investment, Inc. The $1.3 billion and $223.5 million contributions by Mr. Allen were used by Charter Investment, Inc. to purchase the remaining interest in CCA Group and CharterComm Holdings. All other contributions to Charter Investment, Inc. by Mr. Allen were used in operations of Charter Investment, Inc. and were not contributed to Charter Holdings.

On August 10, 1999, Vulcan Cable III Inc. purchased 24.1 million membership units for $500 million. On September 22, 1999, Mr. Allen, through Vulcan Cable III Inc., contributed an additional $825 million, consisting of approximately $644.3 million in cash and approximately $180.7 million in equity interests in Rifkin that Vulcan Cable III Inc. had acquired in the Rifkin acquisition in exchange for 39.8 million membership units.

As part of the membership interests purchase agreement, Vulcan Ventures Incorporated and Charter Communications, Inc., Charter Investment, Inc. and Charter Communications Holding Company entered into an agreement on 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 now or hereafter owned, operated, controlled or managed by us 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. The programming services will consist of any designated by Vulcan Ventures. We agree that 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. We believe that this transaction is on terms at least as favorable to us as Mr. Allen would negotiate with other cable operators.

During the second and third quarters of 1999, one of our subsidiaries sold shared interests in several airplanes to Mr. Allen for approximately $8 million. We believe that the purchase price paid by Mr. Allen for these interests was the fair market price.

ALLOCATION OF BUSINESS OPPORTUNITIES WITH MR. ALLEN

As described under "-- Business Relationships", Mr. Allen and a number of his affiliates have interests in various entities that provide services or programming to a number of 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 Holding Company and Charter Communications, Inc. may not, under the terms of their organizational documents, engage in any business transaction outside the cable transmission business except for the joint venture with Broadband Partners and incidental businesses engaged in as of the closing of this offering. We will be subject to this restriction until all shares of Class B common stock have converted into Class A common stock. See "Description of Capital Stock and Membership Units".

Should we wish to pursue a business transaction outside of this scope, we must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not to do so and consents to our engaging in the business transaction, we will be able to do so. In any such case, the restated certificate of incorporation and the limited liability company agreement would be amended accordingly to appropriately modify the current restrictions on our ability 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 us from time to time. Under Charter Communications, Inc.'s restated certificate of incorporation, the businesses of RCN Corporation, a company in which Mr. Allen is making a significant investment, are not considered cable transmission businesses. 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 to Charter Communications, Inc. other business opportunities and they may exploit such opportunities for their own account.

ASSIGNMENTS OF ACQUISITIONS

On January 1, 1999, Charter Investment, Inc. entered into a membership purchase agreement with ACEC Holding Company, LLC for the acquisition of American Cable. On February 23, 1999, Charter Investment, Inc. assigned its rights and obligations under this agreement to one of our subsidiaries, Charter Communications Entertainment II, LLC, effective as of March 8, 1999, or such earlier date as mutually agreed to by the parties. The acquisition of American Cable was completed in May 1999.

On February 17, 1999, Charter Investment, Inc. entered into an asset purchase agreement with Greater Media, Inc. and Greater Media Cablevision, Inc. for the acquisition of the Greater Media systems. On February 23, 1999, Charter Investment, Inc. assigned its rights and obligations under this agreement to one of our subsidiaries, Charter Communications Entertainment I, LLC. The acquisition of the Greater Media systems was completed in June 1999.

On April 26, 1999, Charter Communications, Inc. entered into a purchase and sale agreement with InterLink Communications Partners, LLLP and the other sellers listed on the signature pages of the agreement. On June 30, 1999, Charter Communications, Inc. assigned its rights and obligations under this agreement to Charter Communications Operating, LLC. The acquisition contemplated by these agreements was completed in September 1999.

On April 26, 1999, Charter Communications, Inc. entered into a purchase and sale agreement with Rifkin Acquisition Partners L.L.L.P and the other sellers listed on the signature pages of the agreement. On June 30, 1999, Charter Communications, Inc. assigned its rights and obligations under this agreement to Charter Communications Operating, LLC. The acquisition contemplated by these agreements was completed in September 1999.

On April 26, 1999, Charter Communications, Inc. entered into the RAP indemnity agreement with InterLink Communications Partners, LLLP and the other sellers and InterLink partners listed on the signature pages of the agreement. On June 30, 1999, Charter Communications, Inc. assigned its rights and obligations under this agreement to Charter Communications Operating, LLC.

In May 1999, Charter Investment, Inc. entered into the Falcon purchase agreement. As of June 22, 1999, pursuant to the first amendment to the Falcon purchase agreement, Charter Investment, Inc. assigned its rights under the Falcon purchase agreement to Charter LLC, a subsidiary of Charter Communications Holding Company.

In May 1999, Charter Investment, Inc. entered into the Fanch purchase agreement. On September 21, 1999, Charter Investment, Inc. assigned its rights and obligations to purchase stock interests under this agreement to Charter Communications Holding Company and its rights and obligations to purchase partnership interests and assets under this agreement to Charter Communications VI, LLC, an indirect wholly owned subsidiary of Charter Communications Holding Company.

In May 1999, Charter Communications Holdings, LLC and Charter Investment, Inc., as guarantor, entered into an agreement to purchase directly and indirectly all of the equity interests of Avalon Cable LLC. Effective as of June 16, 1999, Charter Communications Holdings, LLC assigned its rights and obligations under this agreement to Charter Communications Holding Company. On October 11, 1999, Charter Communications Holding Company and Charter Communications, Inc. entered into an Assignment and Contribution Agreement pursuant to which Charter Communications, Inc. has agreed to assume the obligation to acquire the stock of Avalon Cable of Michigan Holdings, Inc. Charter Communications, Inc. is obligated under the terms of the Assignment and Contribution Agreement to retain a portion of the proceeds of this offering to purchase this stock and then to contribute all of the equity interests in Avalon Cable LLC, an indirect wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc., along with any unused proceeds, to Charter Communications Holding Company in exchange for Class B common membership units. In connection with the contribution of this indirect interest in Avalon Cable LLC to Charter Communications Holding Company, Avalon Cable of Michigan Holdings, Inc. will be merged into a limited liability company. Charter Investment, Inc. remains a guarantor of the obligations of Charter Communication Holdings, LLC and its assignees, including Charter Communications, Inc., under the Avalon acquisition agreement. See "Description of Capital Stock and Membership Units -- Membership Units".

EMPLOYMENT AGREEMENTS

Mr. Kent has entered into an employment agreement with us. We have summarized this agreement in "Management -- Employment and Consulting Agreements".

Effective as of December 23, 1998, Barry L. Babcock entered into an employment agreement with Charter Investment for a one-year term with automatic one-year renewals. Under this agreement, Mr. Babcock agreed to serve as Vice Chairman of Charter Investment, Inc. with responsibilities including the government and public relations of Charter Investment, Inc.. During the initial term of the agreement, Mr. Babcock was entitled to receive a base salary of $625,000, or such higher rate as may have been determined by the Chief Executive Officer in his discretion. In addition, Mr. Babcock was eligible to receive an annual bonus to be determined by the board of directors at its discretion. Mr. Babcock received a one-time payment of $500,000 as part of his employment agreement.

Under the agreement, Mr. Babcock was entitled to participate in any disability insurance, pension or other benefit plan afforded to employees generally or executives of Charter Investment, Inc. Charter Investment, Inc. agreed to grant options to Mr. Babcock to purchase its stock as determined by the board of directors in its discretion, pursuant to an option plan that was adopted by Charter Investment.

Charter Investment, Inc. agreed to indemnify and hold harmless Mr. Babcock 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. Babcock of his duties.

In the event of the termination of the agreement by Charter Investment, Inc. without cause or by Mr. Babcock for good reason:

- Charter Investment, Inc. was required to pay to Mr. Babcock an amount equal to the aggregate base salary due to Mr. Babcock for the remainder of the term of the agreement; and

- vested options, if any, of Mr. Babcock were to be redeemed for cash for their then-current intrinsic value.

Mr. Babcock and Charter Investment, Inc. have reached agreement on the principal terms of the termination of this employment agreement which include the vesting of options held by Mr. Babcock and the payment of an amount equal to his base salary plus a $312,500 bonus.

Effective as of December 23, 1998, Howard L. Wood entered into an employment agreement with Charter Investment, Inc. for a one-year term with automatic one-year renewals. Under this agreement, Mr. Wood agreed to serve as an officer of Charter Investment, Inc. During the initial term of the agreement, Mr. Wood is entitled to receive a base salary of $312,500, or such higher rate as determined by the Chief Executive Officer in his discretion. In addition, Mr. Wood is eligible to receive an annual bonus to be determined by the board of directors in its discretion. Mr. Wood received a one-time payment as part of his employment agreement of $250,000. Under the agreement, Mr. Wood is entitled to participate in any disability insurance, pension or other benefit plan afforded to employees generally or executives of Charter Investment, Inc.

Charter Investment, Inc. has agreed to indemnify and hold harmless Mr. Wood 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. Wood of his duties.

In the event of the termination of the agreement by Charter Investment, Inc. without cause or by Mr. Wood for good reason, Charter Investment, Inc. is required to pay to Mr. Wood an amount equal to the aggregate base salary due to Mr. Wood for the remainder of the term of the agreement. Mr. Wood and Charter Investment, Inc. have agreed that upon closing of this offering, this employment agreement will cease to be effective. Upon termination of the employment agreement, Mr. Wood will receive an amount equal to his base salary plus a $312,500 bonus. In light of the consulting agreement to be entered into between Mr. Wood and Charter Communications, Inc., the options held by Mr. Wood will vest.

CONSULTING AGREEMENTS

Mr. Wood and Mr. Babcock will enter into consulting agreements with us. We have summarized these agreements in "Management -- Employment and Consulting Agreements".

INSURANCE

Charter Communications, Inc. receives insurance and workers' compensation coverage through Charter Investment, Inc. Charter Investment, Inc.'s insurance policies provide coverage for Charter Investment, Inc. and its

- subsidiaries, and associated, affiliated and inter-related companies,

- majority (51% or more) owned partnerships and joint ventures,

- interest in (or its subsidiaries' interest in) any other partnerships, joint ventures or limited liability companies,

- interest in (or its subsidiaries' interest in) any company or organization coming under its active management or control, and

- any entity or party required to be insured under any contract or agreement, which may now exist, may have previously existed, or may hereafter be created or acquired.

Charter Investment, Inc. expensed approximately $5,498,000 for the six months ended June 30, 1999, approximately $603,000 for the year ended December 31, 1998, approximately $172,100 for the year ended December 31, 1997, and approximately $108,000, for the year ended December 31, 1996, relating to insurance allocations.

BUSINESS RELATIONSHIPS

Paul G. Allen or certain affiliates of Mr. Allen own equity interests or warrants to purchase equity interests in various entities which provide a number of our subsidiaries with services or programming. Among these entities are High Speed Access Corp., WorldGate Communications, Inc., Wink Communications, Inc., ZDTV, L.L.C., USA Networks, Oxygen Media, Inc., Broadband Partners LLC, Go2Net, Inc. and RCN Corporation. Affiliates of Mr. Allen include Charter Investment, Inc. and Vulcan Ventures, Inc. 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 recently announced Broadband Partners Internet portal joint venture is an example of a cooperative business relationship among his affiliated companies. We can give no assurance, nor should you expect, that this joint venture will be successful, that Charter Communications, Inc. and its subsidiaries will realize any benefits from this or other relationships with Mr. Allen's affiliated companies or that we will enter into any joint ventures or 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 Charter Communications Holding Company. 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.

HIGH SPEED ACCESS. High Speed Access is a provider of high-speed Internet access over cable modems. In November 1998, Charter Investment, Inc. entered into a systems access and investment agreement with Vulcan Ventures and High Speed Access and a related network services agreement with High Speed Access. Additionally, Vulcan Ventures and High Speed Access entered into a programming content agreement. Under these agreements, High Speed Access will have exclusive access to at least 750,000 of our homes with an installed cable drop from our cable system or which is eligible for a cable drop by virtue of our cable system passing the home. The term of the systems access and investment agreement continues until midnight of the day High Speed Access ceases to provide High Speed Access services to cable subscribers in any geographic area or region. 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 and, following this initial term, the network services agreement automatically renews itself on a year-to-year basis. Additionally, we can terminate our exclusivity rights, on a system-by-system basis, if High Speed Access fails to meet performance benchmarks or otherwise breaches the agreements including their commitment to provide content designated by Vulcan Ventures. The programming content agreement is effective until terminated for any breach and will automatically terminate upon the expiration of the systems access and investment agreement. During the term of the agreements, High Speed Access has agreed not to deploy WorldGate, Web TV, digital television or related products in the market areas of any committed system or in any area in which we operate a cable system. All of Charter Investment, Inc.'s operations take place at the subsidiary level and it is through Charter Investment, Inc. that we derive our rights and obligations with respect to High Speed Access. Under the terms of the network services agreement, we split revenue with High Speed Access based on set percentages of gross revenues in each category of service. 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. Operations began in the first quarter of 1999. Net receipts from High Speed Access for the six months ended June 30, 1999 were approximately $24,000.

Concurrently with entering into these agreements, High Speed Access issued 8 million shares of Series B convertible preferred stock to Vulcan Ventures at a purchase price of $2.50 per share. Vulcan Ventures also subscribed to purchase 2.5 million shares of Series C convertible preferred stock, at a purchase price of $5.00 per share on or before November 25, 2000, and received an option to purchase an additional 2.5 million shares of Series C convertible preferred stock at a purchase price of $5.00 per share. In April 1999, Vulcan Ventures purchased the entire 5 million shares of Series C convertible preferred stock for $25 million in cash. The shares of Series B and Series C convertible preferred stock issued to Vulcan Ventures automatically converted at a price of $3.23 per share into 20.15 million shares of common stock upon completion of High Speed Access' initial public offering in June 1999.

Additionally, High Speed Access granted Vulcan Ventures warrants to purchase up to 5 million shares of common stock at a purchase price of $5.00 per share. These warrants were converted to warrants to purchase up to 7,739,938 shares of common stock at a purchase price of $3.23 per share upon completion of High Speed Access' initial public offering. Vulcan Ventures subsequently assigned the warrants to Charter Investment, Inc. The warrants are exercisable at the rate of 1.55 shares of common stock for each home passed in excess of 750,000, 3.9 million warrants may be earned on or before July 31, 2001 and must be exercised on or before July 31, 2002. 3.9 million warrants may be earned on or before July 31, 2003 and must be exercised on or before July 31, 2004. The warrants may be forfeited in certain circumstances, generally if the number of homes passed in a committed system is reduced.

Jerald L. Kent, our President and Chief Executive Officer and a director of Charter Holdings, Stephen E. Silva, our Senior Vice President -- Corporate Development and Technology, and Mr. Savoy, a member of our board of directors are all members of the board of directors of High Speed Access Corp.

Upon completion of the offering, Charter Investment, Inc. will assign to Charter Communications Holding Company all of its rights and obligations under its agreements with High Speed Access, and transfer the warrants to purchase up to 7,739,938 shares of common stock of High Speed Access, to Charter Communications Holding Company.

WORLDGATE. WorldGate is a provider of Internet access through cable television systems. On November 7, 1997, Charter Investment, Inc. signed an affiliation agreement with WorldGate pursuant to which WorldGate's services will be offered to some of our customers. The term of the agreement is five years unless terminated by either party for failure of the other party to perform any of its obligations or undertakings required under the agreement. The agreement automatically renews for additional successive two-year periods upon expiration of the initial five-year term. All of Charter Investment, Inc.'s operations take place at the subsidiary level and it is through Charter Investment, Inc. that we derive our rights and obligations with respect to WorldGate. Pursuant to the agreement, we have agreed to use our reasonable best efforts to deploy the WorldGate Internet access service within a portion of our cable television 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, 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, to the extent we determine that it is economically practical. 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. We started offering WorldGate service in 1998. For the six months ended June 30, 1999, we paid to WorldGate approximately $570,000. For the year ended December 31, 1998, we paid to WorldGate approximately $276,000. We charged our subscribers approximately $76,000 for the six months ended June 30, 1999, and approximately $22,000 for the year ended December 31, 1998.

On November 24, 1997, Charter Investment, Inc. acquired 70,423 shares of WorldGate's Series B preferred stock at a purchase price of $7.10 per share. On February 3, 1999, a subsidiary of Charter Holdings acquired 90,909 shares of Series C preferred stock at a purchase price of $11.00 per share. As a result of a stock split, each share of Series B preferred stock will convert into two-thirds of a share of WorldGate's common stock, and each share of Series C preferred stock will convert into two-thirds of a share of WorldGate's common stock. Upon completion of WorldGate's initial public offering, each series of preferred stock will automatically convert into common stock.

Upon completion of the offering, Charter Investment, Inc. will assign to Charter Communications Holding Company all of its rights and obligations under its agreements with WorldGate and transfer its 70,423 shares of WorldGate Series B preferred stock to Charter Communications Holding Company.

WINK. Wink 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. On October 8, 1997, Charter Investment, Inc. signed a cable affiliation agreement with Wink to deploy this enhanced broadcasting technology in our systems. The term of the agreement is three years. Either party has the right to terminate the agreement for the other party's failure to comply with any of its respective material obligations under the agreement. All of Charter Investment, Inc.'s operations take place at the subsidiary level and it is through Charter Investment, Inc. that we derive our rights and obligations with respect to Wink. Pursuant to the agreement, Wink granted us the non-exclusive license to use their software to deliver the enhanced broadcasting to all of our cable systems. For the first year of the agreement, we pay a monthly license fee to Wink which is based on the number of our subscribers in our operating areas. After the first year of the agreement we pay a fixed monthly license fee to Wink regardless of the number of our subscribers in our operating areas. 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 Wink generates from all fees collected by Wink for transactions generated by our customers. The amount of revenue shared is based on the number of transactions per month. As of June 30, 1999, no revenue or expenses have been recognized as a result of this agreement.

On November 30, 1998, Vulcan Ventures acquired 1,162,500 shares of Wink's Series C preferred stock for approximately $9.3 million. In connection with such acquisition, Wink issued to Vulcan Venture warrants to purchase shares of common stock. Additionally, Microsoft Corporation, of which Mr. Allen is a director, also owns an equity interest in Wink.

Upon the completion of the offering, Charter Investment, Inc. will assign to Charter Communications Holding Company all of its rights and obligations under its agreements with Wink.

ZDTV. ZDTV operates a cable television channel which broadcasts shows about technology and the Internet. Pursuant to a carriage agreement which Charter Communications Holding Company intends to enter into with ZDTV, ZDTV has agreed to provide us with programming for broadcast via our cable television systems at no cost.

The term of the proposed carriage agreement, with respect to each of our cable systems, is from the date of launch of ZDTV on that cable system until April 30, 2008. The term expires on the same day for each of our cable systems, regardless of when any individual cable system launches ZDTV. The carriage agreement grants us a limited non-exclusive right to receive and to distribute ZDTV to our subscribers in digital or analog format. The carriage agreement does not grant us the right to distribute ZDTV over the Internet. We pay a monthly subscriber fee to ZDTV for the ZDTV programming based on the number of our subscribers subscribing to ZDTV. Additionally, we agreed to use commercially reasonable efforts to publicize the programming schedule of ZDTV in each of our cable systems that offers or will offer ZDTV. Upon reaching a specified threshold number of ZDTV subscribers, then, in the event ZDTV inserts any informercials, advertorials and/or home shopping into in the ZDTV programming, we receive from ZDTV a percentage of net product revenues resulting from our distribution of these services. ZDTV may not offer its services to any other cable operator which serves the same or fewer number of subscribers at a more favorable rate or on more favorable carriage terms. As of June 30, 1999, no expenses have been recognized as a result of these agreements.

On February 5, 1999, Vulcan Programming acquired an approximate one-third interest in ZDTV. Mr. Allen owns 100% of Vulcan Programming. Mr. Savoy is the president and director of Vulcan Programming. The remaining approximate two-thirds interest in ZDTV is owned by Ziff-Davis Inc. Vulcan Ventures owns approximately 3% of the interests in Ziff-Davis. The total investment made by Vulcan Programming and Vulcan Ventures was $104 million.

USA NETWORKS. USA Networks operates USA Network and The Sci-Fi Channel, which are cable television networks. USA Networks also operates Home Shopping Network, which is a retail sales program available via cable television systems. On May 1, 1994, Charter Investment, Inc. signed an affiliation agreement with USA Networks. Pursuant to this affiliation agreement, USA Networks has agreed to provide their programming for broadcast via our cable television systems. The term of the affiliation agreement is until December 30, 1999. The affiliation agreement grants us the nonexclusive right to cablecast the USA Network programming service. We pay USA Networks a monthly fee for the USA Network programming service number based on the number of subscribers in each of our systems and the number and percentage of such subscribers receiving the USA Network programming service. Additionally, we agreed to use best efforts to publicize the schedule of the USA Network programming service in the television listings and program guides which we distribute. We have paid to USA Networks for programming approximately $4,931,614 for the six months ended June 30, 1999, approximately $556,000 for the year ended December 31, 1998, approximately $204,000 for the year ended December 31, 1997, and approximately $134,000 for the year ended December 31, 1996. In addition, we received commissions from Home Shopping Network for sales generated by our customers totaling approximately $794,000 for the six months ended June 30, 1999, approximately $121,000 for the year ended December 31, 1998, approximately $62,000 for the year ended December 31, 1997, and approximately $35,000 for the year ended December 31, 1996.

Mr. Allen and Mr. Savoy are also directors of USA Networks. As of April 1999, Mr. Allen owned approximately 9.8% and Mr. Savoy owned less than 1% of the common stock of USA Networks. Upon completion of the offering, Charter Investment, Inc. will assign to Charter Communications Holding Company all of its rights and obligations under its agreements with USA Networks.

OXYGEN MEDIA, INC. Oxygen Media provides content aimed at the female audience for distribution over the Internet and cable television systems. Vulcan Ventures has agreed to invest up to $100 million in Oxygen Media. In addition, Charter Communications Holding Company has agreed to enter into a carriage agreement with Oxygen Media pursuant to which we intend to carry Oxygen Media programming content on our cable systems. As of June 30, 1999, no expenses have been recognized as a result of these agreements. Nancy B. Peretsman, one of our nominees for director, serves on the board of directors of Oxygen Media.

BROADBAND PARTNERS, LLC. Charter Communications, Inc. has entered into a joint venture with Vulcan Ventures and Go2Net to provide broadband portal services. See "Business -- Products and Services". Mr. Allen owns approximately 33% of the outstanding equity of Go2Net. Mr. Savoy, a director of Charter Communications, Inc., is also a director of Go2Net.

RCN CORPORATION. On October 1, 1999, Vulcan Ventures entered into an agreement to purchase shares of convertible preferred stock of RCN Corporation for an aggregate purchase price of approximately $1.65 billion. If Vulcan Ventures immediately converts the RCN preferred stock it has agreed to purchase into common stock, it will own 27.4% of RCN when combined with the common stock that Vulcan Ventures already owns. None of Charter Communications, Inc., Charter Communications Holding Company or their respective stockholders or members, other than Vulcan Ventures, have any interest in the RCN investment and none of them is expected to have any interest in any subsequent investment in RCN that Vulcan Ventures may make. The businesses of RCN are not deemed to be the "cable transmission business" under Charter Communications, Inc.'s Certificate of Incorporation.

OTHER RELATIONSHIPS

David L. McCall, Senior Vice President of Operations -- Eastern Division, is a partner in a partnership that leases office space to us. The partnership has received $108,647 pursuant to such lease for the period from January 1999 to June 1999.

In January 1999, Charter Investment, Inc. issued 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 is forgiven, as long as the employee is still employed by Charter Investment, Inc. or any of its affiliates, at the end of each of the first three anniversaries of the issue date. The promissory notes bear interest at 7% per year. Outstanding balances as of June 30, 1999 are as follows:

| INDIVIDUAL | AMOUNT |
| --- | --- |
| David G. Barford | $450,000 |
| Mary Pat Blake | $450,000 |
| Eric A. Freesmeier | $450,000 |
| Thomas R. Jokerst | $450,000 |
| Kent D. Kalkwarf | $450,000 |
| Ralph G. Kelly | $450,000 |
| David L. McCall | $450,000 |
| John C. Pietri | $225,000 |
| Steven A. Schumm | $900,000 |
| Curtis S. Shaw | $450,000 |
| Stephen E. Silva | $300,000 |

Mr. Wood has agreed to lease, from time to time, to Charter Communications, Inc. and its subsidiaries and affiliates an airplane owned by Mr. Wood for business travel. We or our subsidiary or affiliate, as applicable, would, in turn, pay Mr. Wood market rates for such use. When Mr. Wood uses the plane for personal matters, we have agreed to provide, if available, Charter-employed airplane operating personnel. This agreement with Mr. Wood is not in writing.

Marc B. Nathanson is the Chairman of the board of directors of Falcon Holding Group, Inc., the general partner of Falcon Holding Group, L.P.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

The following description of our indebtedness is qualified in its entirety by reference to the relevant credit facility, indenture and related documents governing the debt.

### EXISTING CREDIT FACILITIES

CHARTER OPERATING CREDIT FACILITIES. On March 18, 1999, all of our then-existing senior debt, consisting of seven separate credit facilities, was refinanced with proceeds of the sale of the original Charter Holdings notes and proceeds of our initial senior secured credit facilities. The borrower under our initial senior secured credit facilities is Charter Operating. The initial senior secured credit facilities were arranged by Chase Securities, Inc., NationsBank Montgomery Securities LLC and TD Securities (USA) Inc. The initial Charter Operating senior secured credit facilities provided for borrowings of up to $2.75 billion.

The initial Charter Operating senior secured credit facilities were increased on April 30, 1999 by $1.35 billion of additional senior secured credit facilities. Obligations under the Charter Operating credit facilities are guaranteed by Charter Operating's parent, Charter Holdings, and by Charter Operatings' subsidiaries. The obligations under the Charter Operating credit facilities are secured by pledges by Charter Operating of inter-company 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 guarantees are secured by pledges of inter-company 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 initial senior secured credit facilities of $4.1 billion consist 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 $1.85 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 of September 18, 2007. The amortization of the principal amount of the Tranche B term loan facility is substantially "back-ended," with more than ninety percent of the principal balance due in the year of maturity. The Charter Operating credit facilities also provide for an incremental term facility of up to $500 million which is conditioned upon receipt of additional new commitments from lenders. If the incremental term facility becomes available, 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 the Tranche B term loan. The 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.

The Charter Operating credit facilities provide the borrower 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. Annualized operating cash flow is defined as the immediately preceding quarter's operating cash flow, before management fees, multiplied by four. This leverage ratio is based on the debt of Charter Operating and its subsidiaries, exclusive of the 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 from 0.5% to 1.25% for base rate 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 Holdings, Charter Operating or Charter Operating's subsidiaries to make payment on debt with an outstanding total principal amount exceeding $50 million or the acceleration of debt of this amount prior to its maturity. 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.

Under most circumstances, acquisitions and investments may be made without the consent of the lenders as long as Charter Operating's operating cash flow for the four complete quarters preceding the acquisition or investment equals or exceeds 1.75 times the sum of its cash interest expense plus any restricted payments, on a pro forma basis after giving effect to the acquisition or investment.

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 51% direct or indirect voting and economic interest in Charter Operating, provided that after the consummation of an initial public offering by Charter Holdings or an affiliate of Charter Holdings, the economic interest percentage may be reduced to 25%, or

- a change of control occurs under the indentures governing the 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;

- incur liens;

- make acquisitions;

- make investments or asset sales; or

- enter into transactions with affiliates.

Distributions by Charter Operating under the credit facilities to Charter Holdings to pay interest on the Charter Holdings notes are generally permitted, except during the existence of a default under the credit facilities. If the 8.250% Charter Holdings notes are not refinanced prior to six months before their maturity date, the entire amount outstanding of the Charter Operating credit facilities will become due and payable. As of June 30, 1999, approximately $2.025 billion was outstanding and $2.075 billion was available for borrowing under the Charter Operating credit facilities.

CREDIT FACILITIES TO BE ASSUMED OR ARRANGED IN CONNECTION WITH OUR PENDING ACQUISITIONS

FALCON CABLE COMMUNICATIONS CREDIT FACILITIES. In May 1999, Charter Investment, Inc. entered into the Falcon acquisition agreements. As of June 30, 1999, the assumed debt portion of the purchase price includes $967.0 million of senior credit facilities of Falcon Cable Communications, LLC. As of July 21, 1999, a required percentage of the lenders under the credit agreement dated June 30, 1998 agreed to amend and restate the credit agreement, effective on the date that we close our acquisition of Falcon. Unless otherwise noted, the description below gives effect to this amendment and restatement, which becomes effective at the time of the acquisition.

The Falcon Cable Communications 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 $199.5 million;

- a term loan C in the amount of approximately $299.3 million; and

- a committed supplemental revolving facility of $110.0 million.

In addition, we intend to raise commitments for an additional supplemental revolving facility of approximately $240.0 million.

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 obligations under these facilities are guaranteed by the subsidiaries of Falcon Cable Communications. The obligations under these credit facilities are secured by pledges of the ownership interests and inter-company obligations of Falcon Cable Communications and its subsidiaries, but are not secured by other assets of Falcon Cable Communications or its subsidiaries.

These 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.

These 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 under these facilities, will depend upon performance measured by a "leverage ratio" which is the ratio of indebtedness to annualized operating cash flow. Annualized operating cash flow is defined as the immediately preceding quarter's operating cash flow, before management fees, multiplied by four. 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 Falcon Cable Communications 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.

These credit facilities contain representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default for these credit facilities include a cross-default provision that is triggered by the failure to make payment relating to specified outstanding debt of Falcon Holding Group, L.P., Falcon Communications, L.P., Falcon Cable Communications and specified guarantors in a total amount of principal and accrued interest exceeding $10 million. 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.

These 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 51% direct or indirect voting and economic interest in Falcon Cable Communications, provided that after the consummation of an initial public offering by the Falcon borrower or an affiliate of Falcon Cable Communications, the economic interest percentage may be reduced to 25%; or

- A change of control occurs under the indentures governing the Falcon debentures or under the terms of other 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;

- incur liens;

- make acquisitions;

- make investments or asset sales; or

- enter into transactions with affiliates.

Distributions by Falcon Cable Communications under its credit facilities to pay interest on the Falcon debentures are generally permitted, except during the existence of a default under the credit facilities.

As of June 30, 1999, $967 million was outstanding, $183 million was committed and available for borrowing and an additional $100 million was committed and will be available for borrowing upon completion of the Falcon acquisition under the Falcon Cable Communications credit facilities.

FALCON BRIDGE LOAN FACILITY. On October 15, 1999, we received a commitment from Goldman Sachs Credit Partners, L.P. for a bridge loan facility to finance required repayments of Falcon debentures and notes. The Falcon bridge loan facility has a total borrowing capacity of $750 million and Falcon Communications, L.P. will be the borrower under the facility. Under the terms of the commitment, we are obligated to cause Falcon Cable Communications to assume our obligations under the commitment. The commitment to provide the bridge loans expires on February 12, 2000 if the closing of the bridge loans has not occurred by that date. The conditions to closing under the bridge loans include:

- the receipt of net proceeds of at least $2.5 billion from this offering;

- consummation of the Falcon acquisition and Falcon becoming a party to the bridge loan commitment upon consummation of the Falcon acquisition;

- execution and delivery of satisfactory documentation of the bridge loans;

- absence of various types of material adverse changes, including material adverse changes relative to us and to Falcon, as well as material adverse changes in the financial and capital markets;

- the absence of certain litigation;

- Falcon having adequate availability, in Goldman Sachs Credit Partners L.P.'s judgment, under the Falcon credit facilities;

- satisfactory completion by the bridge lenders of a due diligence review of Falcon;

- receipt of certain historical and pro forma financial statements for Falcon; and

- receipt of required approvals.

Many of these closing conditions are outside of the control of Falcon or us. There can be no assurance that the closing conditions will be met.

Under the commitment, the bridge loans will have a term of one year. If the bridge loans have not been repaid in full by the maturity date, and provided there is no default under the bridge loans or Falcon Cable Communications credit facilities, the bridge loans will be automatically converted into nine-year term loans. The events of default for the bridge loans will include a cross-default provision. The specific terms of this provision have not yet been set.

The bridge loans will bear interest initially at one month LIBOR plus 400 basis points. The interest rate will increase by 25 basis points at the end of each three month period after the closing of the bridge loans. The bridge loans may be prepaid at any time without penalty. The bridge loans must be repaid with the net proceeds from any public or private offering of debt or equity securities by Falcon or any of its subsidiaries, or any future bank borrowings other than under Falcon Cable Communications credit facilities in effect at the closing date or any future asset sales, subject to customary exceptions. The bridge lenders may require Falcon to repay the bridge loans upon specified changes of control of Falcon or Charter Communications, Inc.

FANCH CREDIT FACILITIES. In May 1999, Charter Communications, Inc. entered into the Fanch purchase agreement. As of October 1, 1999, a group of lenders had issued commitments, based on a detailed term sheet, in the aggregate amount of $1.2 billion to the borrower, CC VI Operating, LLC, to be effective on the date that we close our acquisition of Fanch. We intend to borrow approximately $875 million under the Fanch credit facilities to finance a portion of the Fanch purchase price. Upon the closing of the Fanch acquisition, CC VI Operating will own, directly or indirectly, the cable systems we are acquiring. The material closing conditions under the CC VI Operating credit facilities are as follows:

- consummation of the Fanch acquisition;

- the indebtedness of CC VI Operating not exceeding a specified amount;

- absence of material adverse changes relating to the Fanch cable systems being acquired; and

- receipt of required approvals.

These credit facilities have maximum borrowings of $1.2 billion, consisting of:

- a revolving facility in the amount of approximately $350 million;

- a term loan A in the amount of approximately $400 million; and

- a term loan B in the amount of approximately $450 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. The obligations under these facilities are guaranteed by the subsidiaries of CC VI Operating and CC VI Holdings, LLC, CC VI Operating's parent and a subsidiary of Charter Communications Holding Company. The obligations under these credit facilities are secured by pledges of the ownership interests and inter-company obligations of CC VI Operating and its subsidiaries, but are not secured by other assets of CC VI Operating or its subsidiaries.

In addition to the foregoing, these credit facilities will permit a supplemental credit facility in the maximum amount of $300 million. This facility 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. Upon the effectiveness of the CC VI Operating credit facilities, this supplemental facility will be available, subject to the borrower's ability to obtain additional commitments from lenders. The amortization of the additional term loans under the supplemental credit facility prior to May 2009 shall be limited to 1% per annum of the aggregate principal amount of such additional term loans.

The CC VI Operating 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.

These 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 Operating credit facilities, as well as a fee payable on unborrowed amounts available under these facilities, will depend upon performance measured by a leverage ratio, which is the ratio of indebtedness to annualized operating cash flow. Annualized operating cash flow is defined as the immediately preceding quarter's operating cash flow, before management fees, multiplied by four.

This leverage ratio is based on the debt of CC VI Operating and its subsidiaries. The interest rate margins for the CC VI Operating 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 Operating 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 Operating credit facilities will include a cross-default provision covering defaults on material debt of CC VI Operating, CC VI Holdings and specified subsidiaries. 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.

These 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 51% direct or indirect voting and economic interest in CC VI Operating. After consummation of an initial public offering by CC VI Operating or an affiliate of CC VI Operating, this economic interest percentage may be reduced to 25%.

- CC VI Operating is no longer a direct or indirect subsidiary of Charter Communications Holding Company.

- A change of control occurs under any material 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;

- incur liens;

- make acquisitions;

- make investments or asset sales; or

- enter into transactions with affiliates.

Distributions by CC VI Operating under its credit facilities to pay interest on certain indebtedness of CC VI Holdings are generally permitted, except during the existence of a default under the CC VI Operating credit facilities.

AVALON CREDIT FACILITIES. Avalon's existing credit facilities, under a loan agreement dated November 5, 1998, include a revolving loan facility, maturing October 31, 2005, a term loan A facility, maturing on October 31, 2005, and a term loan B facility, maturing

October 31, 2006, with total commitments under all facilities of approximately $345 million. Unlike the Charter Operating, Bresnan, and Falcon facilities, the Avalon credit facilities are secured by all assets of the borrower and its subsidiaries, real and personal property, including ownership interests and inter-company indebtedness.

The existing Avalon credit facilities also contain a change of control provision, making it an event of default and permitting acceleration of the debt under certain circumstances, including the following:

- Avalon Cable Holdings LLC ceases to own and control 80% of the ordinary voting power of the outstanding capital stock of Avalon Cable LLC;

- Avalon Cable LLC ceases to own and control 100% of each class of outstanding capital stock of Avalon Cable of Michigan LLC, Avalon Cable of New England LLC and Avalon Cable Finance, Inc.; or

- a change of control occurs under the indentures governing the Avalon notes.

Unless the lenders under the existing Avalon credit facilities grant consents, the completion of the Avalon acquisition will constitute a change of control. As of June 30, 1999, there was approximately $177.4 million total principal amount outstanding under the existing Avalon credit facilities.

As of October 22, 1999, a group of lenders had issued commitments, based on a detailed term sheet, in the aggregate amount of $300 million to lend to Avalon when we close our acquisition of Avalon. Upon the closing of the Avalon acquisition, we will own, directly or indirectly, all of the membership interests in Avalon Cable LLC, the parent company of the Avalon borrowers that own the cable systems we are acquiring. The material closing conditions under the Avalon credit facilities are as follows:

- consummation of the Avalon acquisition;

- indebtedness of the Avalon borrowers not exceeding a specified amount;

- absence of various types of material adverse changes relating to Avalon; and

- receipt of required approvals.

The Avalon credit facilities have maximum borrowings of $300 million, consisting of:

- a revolving facility in the amount of approximately $175 million; and

- a term loan B in the amount of approximately $125 million.

We expect to borrow approximately $169 million to fund a portion of the Avalon purchase price.

Amounts available under the revolving facility reduce annually in specified percentages beginning in the fourth year following the closing date of the facility. The term loan B facility amortizes beginning in the fourth year following the closing date. The obligations under these facilities are guaranteed by the subsidiaries and the parent company of the Avalon borrowers. The obligations under the Avalon credit facilities are secured by pledges of the ownership interests and inter-company obligations of the

Avalon borrowers and their subsidiaries, but are not secured by other assets of the Avalon borrowers or their subsidiaries. The credit facilities are also secured by a pledge of Avalon Cable LLC's equity interest in the Avalon borrowers.

In addition to the foregoing, the Avalon credit facilities provide for a supplemental credit facility in the maximum amount of $75 million. This facility may be in the form of an additional term loan or an aggregate increase in the amount of the revolving facility. Upon the effectiveness of the Avalon credit facilities, this supplemental facility will be available, subject to the borrowers' ability to obtain additional commitments from lenders. The supplemental facility is available to the Avalon borrowers until December 31, 2003, and, if borrowed, the weighted average life and final maturity will not be less than that of the revolving facility.

The Avalon 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 the Avalon borrowers.

The Avalon credit facilities provide the Avalon borrowers 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 based on the interbank Eurodollar rate.

Interest rates for the Avalon credit facilities, as well as a fee payable on unborrowed amounts available under these facilities, will depend upon performance measured by a leverage ratio, which is the ratio of indebtedness to annualized operating cash flow. Annualized operating cash flow is defined as the immediately preceding quarter's operating cash flow, before management fees, multiplied by four. This leverage ratio is based on the debt of the Avalon borrowers and their subsidiaries. The interest rate margins for the Avalon credit facilities are as follows:

- with respect to the revolving loan facility, the margin ranges from 1.0% to 1.875% for Eurodollar loans and from 0.0% to 0.875% for base rate loans; and

- with respect to term loan B, the margin ranges from 2.50% to 2.75% for Eurodollar loans and from 1.50% to 1.750% for base rate loans.

The Avalon credit facilities contain representations and warranties, affirmative and negative covenants, information requirements, events of default and financial covenants. The events of default for the Avalon credit facilities and supplemental facility will include a cross-default provision for total debt exceeding $20 million of the Avalon borrowers, Avalon Cable LLC and specified subsidiaries. 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 Avalon 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 Mr. Allen, including his estate, heirs and other related entities, fails to maintain a 25% direct or indirect voting and economic interest in the Avalon borrowers.

Various negative covenants place limitations on the ability of the Avalon borrowers and their subsidiaries to, among other things:

- incur debt;

- pay dividends;

- incur liens;

- make acquisitions;

- make investments or asset sales; or

- enter into transactions with affiliates.

Distributions by Avalon borrowers under their credit facilities to pay interest on certain indebtedness of Avalon Cable LLC are generally permitted, except during the existence of a default under the Avalon credit facilities.

BRESNAN CREDIT FACILITIES. In connection with its acquisition of Bresnan, we intend to assume and amend the existing Bresnan credit facilities. We cannot assure you that we will be able to do this. If Charter Communications Holding Company assumes and amends these facilities, it will attempt, as it has succeeded with respect to Falcon, to renegotiate the terms of such indebtedness on terms substantially similar or identical to the terms of the senior credit facilities for Charter Operating and increase borrowing availability. In the event it is unable to do so, it will refinance such indebtedness and repay all borrowings outstanding under these credit facilities. However, we cannot assure you that Charter Communications Holding Company will be successful in its effort to assume and amend or to refinance any of such existing senior indebtedness.

On February 2, 1999, Bresnan entered into a loan agreement providing for borrowings of up to $650 million. The obligations under the Bresnan credit facilities are guaranteed by the restricted subsidiaries of Bresnan. The obligations under the Bresnan credit facilities are secured by pledges of the ownership interests and intercompany obligations of Bresnan, its subsidiaries and its parent company, but are not secured by other assets of Bresnan, its subsidiaries or its parent company.

The Bresnan credit facilities consist of:

- a reducing revolving loan facility in the amount of $150 million;

- a term loan A facility in the amount of $328 million; and

- a term loan B facility in the amount of $172 million.

The Bresnan credit facilities provide for the amortization of the principal amount of the term loan A facility 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 facility is substantially "back-ended", with more than ninety percent of the principal balance due on the final maturity date of February 2, 2008. The Bresnan credit facilities also provide for an incremental term facility of up to $200 million, which is conditioned upon receipt of additional commitments from lenders. If the incremental term facility becomes available, it may be in the form of revolving loans or term loans, but may not amortize more quickly than the reducing revolving loan facility or the term loan A facility, and may not have a final maturity date earlier than six calendar months after the maturity date of the term loan B facility.

The Bresnan credit facilities provide Bresnan with 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 Bresnan credit facilities depend upon performance measured by a leverage ratio, that is, the ratio of total debt to annualized operating cash flow of Bresnan and its restricted subsidiaries. Annualized operating cash flow is defined as the immediately preceding quarter's operating cash flow multiplied by four. The interest rate margins for the Bresnan credit facilities are as follows:

- there is no margin with respect to the revolving loan facility;

- with respect to the term loan A 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 facility, the margin ranges from 2.5% to 2.75% for eurodollar loans and from 1.5% to 1.75% for base rate loans.

The 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 Bresnan credit facilities include a cross-default provision that is triggered by any acceleration of the maturity of debt of Bresnan, its parent and specified subsidiaries in a total amount of at least $15 million or the nonpayment of debt with this principal amount. 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 Bresnan and its restricted subsidiaries to, among other things:

- incur debt;

- pay dividends;

- incur liens;

- make acquisitions;

- make investments or asset sales; or

- enter into transactions with affiliates.

Acquisitions may be made by Bresnan or its restricted subsidiaries without the consent of the lenders so long as the leverage ratio for total debt is less than or equal to 5.50 to 1.00, after giving effect to the acquisition. Other investments may only be made on a limited basis within certain dollar amounts or "baskets".

The Bresnan credit facilities 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:

- TCI Communications, including its affiliates, fails to own at least 25% of the membership interests of Bresnan;

- entities affiliated with the Blackstone Funds fail to own at least 20% of the membership interest in Bresnan prior to January 29, 2002; or

- after January 29, 2000, if the entities affiliated with the Blackstone Funds fail to own at least 20% of the membership interests in Bresnan, any party(other than Bresnan Communications, Inc. or its affiliates), owns a greater percentage interest in Bresnan than the percentage interest held by TCI Communications and its affiliates.

The Bresnan credit facilities also contain an asset sale provision, requiring the borrower to use the net proceeds from any asset sales in excess of $10 million:

- to repay outstanding principal under the Bresnan facilities;

- for permitted acquisitions; or

- for the purchase of similar assets.

The Bresnan credit facilities also require that the company be managed by a Bresnan management company, BCI (USA), LLC. The foregoing provisions, among others, will require material amendments to, or a refinancing of, the Bresnan credit facilities upon the acquisition of Bresnan.

As of June 30, 1999, there was $500 million total principal amount outstanding under the Bresnan credit facilities.

EXISTING PUBLIC DEBT

THE CHARTER HOLDINGS NOTES. The original 8.250% Charter Holdings notes, 8.625% Charter Holdings notes and 9.920% Charter Holdings notes and the new 8.250% Charter Holdings notes, 8.625% Charter Holdings notes and 9.920% Charter Holdings notes were issued under three separate indentures, each dated as of March 17, 1999, among Charter Holdings and Charter Communications Holdings Capital Corporation, as the issuers, Marcus Cable Holdings, LLC, as guarantor and Harris Trust and Savings Bank, as trustee. The issuers of the original Charter Holdings notes recently exchanged these notes for new Charter Holdings notes with substantially similar terms, except that the new Charter Holdings notes are registered under the Securities Act and, therefore, do not bear legends restricting their transfer.

At the time of the sale of the original Charter Holdings notes, Marcus Holdings guaranteed the Charter Holdings notes and issued a promissory note to Charter Holdings for certain amounts loaned by Charter Holdings to subsidiaries of Marcus Holdings. At the time of the merger of Charter Holdings with Marcus Holdings, both the guarantee and the promissory note automatically became ineffective under the terms of the Charter

Holdings indentures. Consequently, all references in the Charter Holdings indentures and the Charter Holdings notes to the guarantor, the guarantee or the promissory note, and all related matters, such as the pledges of any collateral, became inapplicable.

The Charter Holdings notes are general unsecured obligations of the issuers. The 8.250% Charter Holdings notes mature on April 1, 2007 and as of June 30, 1999, there was $600 million in total principal amount outstanding. The 8.625% Charter Holdings notes will mature on April 1, 2009 and as of June 30, 1999, there was $1.5 billion in total principal amount currently outstanding. The 9.920% Charter Holdings discount notes mature on April 1, 2011 and as of June 30, 1999, the total accreted value was $931.6 million. Net proceeds from the sale of Charter Holdings discount notes were $905.6 million. Cash interest on the 9.920% Charter Holdings notes will not accrue prior to April 1, 2004.

The Charter Holdings notes are senior debts of the co-issuers. They rank equally with the current and future unsecured and unsubordinated debt, including trade payables, of Charter Holdings.

The issuers will not have the right to redeem the 8.250% Charter Holdings notes prior to their maturity date on April 1, 2007. However, before April 1, 2002, the issuers may redeem up to 35% of each of the 8.625% Charter Holdings notes and the 9.920% Charter Holdings notes with the proceeds of certain offerings of equity securities. In addition, on or after April 1, 2004, the issuers may redeem some or all of the 8.625% Charter Holdings notes and the 9.920% Charter Holdings notes at any time.

In the event of a specified change of control event, the issuers must offer to repurchase any then-outstanding Charter Holdings notes at 101% of their principal amount or accreted value, as applicable, plus accrued and unpaid interest. The consummation of the offering will not trigger any change of control provisions under the Charter Holdings notes.

The indentures governing the Charter Holdings notes also contain certain events of default, affirmative covenants and negative covenants. The events of default for the Charter Holdings notes include a cross-default provision triggered by the failure of Charter Holdings or specified subsidiaries to make payment on debt with a total principal amount exceeding $100 million or the acceleration of debt of this amount prior to its maturity date. Subject to certain important exceptions, the indentures governing the Charter Holdings notes, among other things, restrict the ability of the issuers and certain of their 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 our restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to us; and

- engage in certain transactions with affiliates.

RENAISSANCE NOTES. The original Renaissance notes and new Renaissance notes were issued by Renaissance Media (Louisiana) LLC, Renaissance Media (Tennessee) LLC and Renaissance Media 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 notes and the Renaissance guarantee are unsecured, unsubordinated debt of the issuers and the guarantor, respectively. In October 1998, the issuers exchanged $163.175 million of the original issued and outstanding 10% senior discount notes due 2008 for an equivalent value of 10% senior discount notes due April 15, 2008. 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 issuer, 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 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 capital stock at 110% of their accreted value on the redemption date, provided that after any such redemption at least $106 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 indenture contains certain covenants that restrict the ability of the issuers and their restricted subsidiaries to:

- incur additional debt;

- create liens;

- engage in sale-leaseback transactions;

- pay dividends or make contributions in respect of their capital stock;

- redeem capital stock;

- make investments or certain other restricted payments;
- sell assets;
- issue or sell stock of restricted subsidiaries;
- enter into transactions with stockholders or affiliates; or
- effect a consolidation or merger.

The events of default for the Renaissance notes include a cross-default provision triggered by the failure to make payment at maturity, or an event that causes the holder to declare the debt to be payable prior to its maturity of debt of Renaissance Media Group LLC or any of its specified subsidiaries if this debt has a total outstanding principal amount of at least $10 million.

As of June 30, 1999, there was outstanding $114.4 million, total principal amount at maturity of Renaissance notes, with an accreted value of $82.6 million.

RIFKIN NOTES. The Rifkin notes were issued by Rifkin Acquisition Partners, and Rifkin Acquisition Capital Corp. as co-issuers, subsidiaries of the partnership other than Rifkin Acquisition Capital Corp. as guarantors, and Marine Midland Bank as trustee. In March 1996, the issuers exchanged $125 million aggregate principal amount of the originally issued and outstanding 11 1/8% senior subordinated notes due 2006 for an equivalent value of new 11 1/8% senior subordinated notes due 2006. The form and terms of the new Rifkin notes were substantially identical to the form and terms of the original Rifkin notes except that the new Rifkin notes have been registered under the Securities Act and, therefore, do not bear legends restricting their transfer. Interest on the Rifkin notes accrues at the rate of 11 1/8% per year and is payable in cash semi-annually in arrears on January 15 and July 15 of each year.

The Rifkin notes are redeemable at the issuers' option, in whole or in part, at any time on or after January 15, 2001, at 105.563% of the principal amount together with accrued and unpaid interest, if any, to the date of the redemption. This redemption premium declines over time to 100% of the principal amount, plus accrued and unpaid interest, if any, on or after January 15, 2005.

In September 1999, we commenced an offer to purchase any and all of the outstanding Rifkin notes, together with the Monroe Rifkin note, for cash, at a premium over the outstanding principal amounts. In conjunction with this tender offer, we sought and obtained the consent of a majority in principal amount of the holders of the outstanding Rifkin notes to proposed amendments to the indenture governing the Rifkin notes, which eliminated substantially all of the restrictive covenants, including any cross-default provisions. We purchased notes with a total outstanding principal amount of $124.1 million for a total of $140.6 million, including a consent fee of $30 per $1,000 of outstanding principal amount to the holders who delivered timely consents to amending the indenture. We repurchased the promissory note payable to Monroe Rifkin for $3.4 million. Rifkin notes with a total principal amount of approximately $900,000 remain outstanding.

The Rifkin notes are jointly and severally guaranteed on a senior subordinated basis by specified subsidiaries of the issuers. The guarantees of the Rifkin notes are general unsecured obligations of the guarantors and will be subordinated in right of payment to all existing and future senior debt of the guarantors.

Among other restrictions, the indentures governing the Rifkin notes contain covenants which limit the ability of the issuers and specified subsidiaries to:

- assume additional debt and issue specified additional equity interests;

- make restricted payments;

- enter into transactions with affiliates;

- incur liens;

- make specified contributions and payments to Rifkin Acquisition Partners;

- transfer specified assets to subsidiaries; and

- merge, consolidate, and transfer all or substantially all of the assets of Rifkin Acquisition Partners to another person.

As of June 30, 1999, there was $125.0 million total principal outstanding on the Rifkin notes. As of October 15, 1999, Rifkin notes with a total principal amount of approximately $900,000 remained outstanding.

PUBLIC DEBT TO BE ASSUMED OR REPURCHASED IN CONNECTION WITH OUR PENDING ACQUISITIONS

THE FALCON DEBENTURES. The Falcon debentures, consisting of 8.375% Series A senior debentures due 2010 and 9.285% Series A senior discount debentures due 2010, were issued by Falcon Holding Group, L.P. and Falcon Funding Corporation on April 3, 1998. On August 5, 1998, the issuers proposed an exchange offer whereby the outstanding $375 million Series A senior debentures and $435.3 million Series A senior discount debentures were exchanged for an equivalent value of Series B senior debentures and Series B senior discount debentures. The form and terms of the new debentures are the same as the form and terms of the corresponding original Falcon debentures except that the issuance of the new debentures was registered under the Securities Act of 1933 and, therefore, the new debentures do not bear legends restricting their transfer.

The Falcon debentures will mature on April 15, 2010. Interest on the Falcon debentures accrues from the issue date or from the most recent interest payment date to which interest has been paid or provided for, payable semiannually on April 15 and October 15 of each year. No interest on the Series B senior discount debentures will be paid prior to April 15, 2003. The issuers may, however, elect to commence accrual of cash interest on any payment date, in which case the outstanding principal amount at maturity of Series B senior discount debenture will be reduced to the accreted value of such Series B senior discount debenture as of such interest payment date and the interest will be payable semiannually in cash on each interest payment date thereafter.

The Falcon debentures will be redeemable at the option of the issuers, in whole or in part, at any time on or after April 15, 2003, at a premium and, in each case, plus accrued and unpaid interest, if any, to the date of redemption. This premium declines over time to 100% of their principal amount, plus accrued and unpaid interest, if any, on or after April 15, 2006. In addition, at any time prior to April 15, 2001, the issuers may redeem, at a premium, up to 35% of the total principal amount or accreted value, as applicable, of the Falcon debentures with the net cash proceeds of specified equity issuances, in each case plus accrued and unpaid interest, if any, to the date of redemption. Following a redemption, at least 65% in total principal amount at maturity of the Falcon senior discount debentures and $195 million of the total principal amount of Falcon senior debentures must remain outstanding.

In the event of specified change of control events, the holders of the Falcon debentures will have the right to require the issuers to purchase their Falcon debentures at a price equal to 101% of their principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any, to the date of purchase. The Falcon acquisition will give rise to this right. We expect the Falcon debentures to be tendered. We intend to finance required repayments of Falcon debentures with debt financing that has not yet been arranged. We have obtained a commitment for a Falcon bridge loan facility providing for borrowings up to $750 million to finance these repayments until this additional debt financing can be arranged or if this additional debt financing is unavailable.

The Falcon debentures are joint and several senior unsecured obligations of the issuers. The Falcon debentures are the obligations of the issuers only, and the issuers' subsidiaries do not have any obligation to pay any amounts due under the Falcon debentures. Therefore, the Falcon debentures are effectively subordinated to all existing and future liabilities of the issuers' subsidiaries.

Among other restrictions, the indentures governing the Falcon debentures contain certain limitations on the issuers' and their specified subsidiaries' ability to:

- incur additional debt;

- make restricted payments;

- create certain liens;

- sell all or substantially all of their assets or merge with or into other companies;

- invest in unrestricted subsidiaries and affiliates;

- pay dividends or make any other distributions on any capital stock; and

- guarantee any debt which is equal or subordinate in right of payment to the Falcon debentures.

The events of default for the Falcon debentures include a cross-default provision triggered by the acceleration of the maturity, or nonpayment of debt, by Falcon Holding Group, L.P. or any specified subsidiary in excess of $25 million.

As of June 30, 1999, there was $375.0 million total principal amount outstanding on the Falcon senior debentures, and the accreted value of the senior discount debentures was $308.7 million.

THE FALCON SUBORDINATED NOTES. On October 21, 1991, Falcon Telecable, L.P., a subsidiary of Falcon Holding Group, L.P. issued $15.0 million aggregate principal amount of 11.56% subordinated notes due 2001. Interest is payable semi-annually on March 31 and September 30 of each year.

The Falcon subordinated notes are redeemable at the issuer's option, in whole or in part, at any time in whole or part on or after June 30, 1993, at 100% of their principal amount, plus accrued interest to the date of redemption and a make-whole premium.

Among other restrictions, the note purchase agreement governing the Falcon subordinated notes limits the activities of the issuer and its subsidiaries to:

- incur additional debt;

- pay dividends or make other restricted payments;

- enter into transactions with affiliates;

- create liens;

- incur additional debt; and

- sell assets or subsidiary stock.

In addition, the terms of the note purchase agreement prohibits the issuer from being acquired by an unaffiliated entity. The events of default for the Falcon subordinated notes include a cross-default provision that is triggered by the failure to pay the principal of debt of Falcon Telecable or specified subsidiaries in a total principal amount in excess of $1 million, or any event which results in acceleration of the maturity of this debt.

Our acquisition of Falcon will constitute an event of default under the note purchase agreement and will give rise, if written notice is given by holders of a majority in outstanding amount of notes, to an obligation to repay all outstanding principal and accrued interest on the Falcon subordinated notes, plus a specified premium, within 30 days of the receipt of the notice. Absent receipt of a waiver by the noteholders of the change of control default, which we do not expect to receive, we expect to repay at the time of the closing of the Falcon acquisition, the $15 million principal amount of the notes, plus accrued interest and a specified premium, with available sources of funds.

As of June 30, 1999, $15.0 million principal amount of the Falcon subordinated notes was outstanding.

THE AVALON 11 7/8% NOTES. On December 3, 1998, Avalon Cable LLC and Avalon Cable Holdings Finance, Inc. jointly issued $196 million total principal amount at maturity of 11 7/8% senior discount notes due December 1, 2008. On July 22, 1999, the issuers exchanged $196 million of the original issued and outstanding 11 7/8% senior discount notes for an equivalent amount of new 11 7/8% senior discount notes due December 1, 2008. The form and terms of the new Avalon 11 7/8% notes are substantially identical to the original Avalon 11 7/8% notes except that they will be registered under the Securities Act of 1933 and, therefore, are not subject to the same transfer restrictions. The issuers received no proceeds from the exchange offer.

The Avalon 11 7/8% notes are guaranteed by Avalon Cable of Michigan, Inc., an equity holder in Avalon Cable LLC, and its sole stockholder, Avalon Cable of Michigan Holdings, Inc.

There will be no current payments of cash interest on the Avalon 11 7/8% notes before December 1, 2003. The new Avalon 11 7/8% notes accrete in value at a rate of 11 7/8% per annum, compounded semi-annually, to an aggregate principal amount of $196 million on December 1, 2003. After December 1, 2003, cash interest on the Avalon 11 7/8% notes:

- will accrue at the rate of 11 7/8% per year on the principal amount at maturity of the new notes; 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 will be required to redeem an amount equal to $369.79 per $1,000 in principal amount at maturity of each Avalon 11 7/8% note, on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Avalon 11 7/8% notes so redeemed.

On or after December 1, 2003, the issuers may redeem the Avalon 11 7/8% notes, in whole or in part. Before December 1, 2001, the issuers may redeem up to 35% of the total principal amount at maturity of the Avalon 11 7/8% notes with the proceeds of one or more equity offerings and/or strategic equity investments.

In the event of specified change of control events, holders of the Avalon 11 7/8% notes will have the right to sell their Avalon 11 7/8% notes to the issuers at 101% of:

- the accreted value of the Avalon 11 7/8% notes in the case of repurchases of Avalon notes prior to December 1, 2003; or

- the total principal amount of the Avalon 11 7/8% notes in the case of repurchases of Avalon 11 7/8% 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 will trigger this right.

Among other restrictions, the indenture governing the Avalon 11 7/8% notes limits the ability of the issuers and their specified subsidiaries to:

- incur additional debt;

- pay dividends or make specified other restricted payments;

- enter into transactions with affiliates;

- sell assets or subsidiary stock;

- create liens;

- restrict dividends or other payments from restricted subsidiaries;

- merge, consolidate or sell all or substantially all of their combined assets; and

- with respect to restricted subsidiaries, issue capital stock.

The Avalon 11 7/8% notes contain events of default that include a cross-default provision triggered by the failure of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc. or any specified subsidiary to make payment on debt with total principal amount of $5 million or more or the acceleration of debt of this amount prior to maturity.

As of June 30, 1999, the total accreted value of the outstanding Avalon 11 7/8% notes was $118.1 million.

THE AVALON 9 3/8% NOTES. On December 3, 1998, Avalon Cable of New England LLC, Avalon Cable Finance, Inc. and Avalon Cable of Michigan, Inc. jointly issued $150 million total principal amount at maturity of 9 3/8% senior subordinated notes due December 1, 2008. On July 22, 1999, the issuers exchanged $150 million of the original issued and outstanding 9 3/8% senior subordinated notes for an equivalent amount of new 9 3/8% senior subordinated notes due December 1, 2008. The form and terms of the new Avalon 9 3/8% notes are substantially the same as the form and terms of the original Avalon 9 3/8% notes except that the new Avalon 9 3/8% notes will be registered under the federal securities laws and will not bear a legend restricting the transfer thereof.

Interest on the Avalon 9 3/8% notes accrues at a rate of 9.375% per annum from the date of issuance and is payable semiannually in arrears on June 1 and December 1. The Avalon 9 3/8% notes are guaranteed by Avalon Cable of Michigan, Inc. Avalon Cable of Michigan, Inc., however, does not have any significant assets other than its interest in Avalon Cable LLC.

On or after December 1, 2003, the issuers may redeem the Avalon 9 3/8% notes in whole or in part. Until December 1, 2001, the issuers may redeem up to 35% of the total principal amount of the Avalon 9 3/8% notes at a redemption price equal to 109.375% of the principal amount thereof, plus accrued and unpaid interest, if any, and liquidated damages, if any, with the net cash proceeds of a strategic equity investment and/or an equity offering. Following the redemption, at least 65% of the total principal amount of the Avalon 9 3/8% notes must remain outstanding after each redemption.

Upon the occurrence of specified change of control events or the sale of certain assets, holders of the Avalon 9 3/8% notes will have the opportunity to sell their Avalon 9 3/8% notes to the issuers at 101% of their face amount, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase. Our acquisition of Avalon will trigger this right.

The Avalon 9 3/8% notes are general unsecured obligations of the issuers and are subordinate in right of payment to all existing and future senior debt of the issuers. The Avalon 9 3/8% notes rank equal in right of payment to any senior subordinated debt of the issuers and rank senior in the right of payment to all subordinated debt of the issuers.

Among other restrictions, the indenture governing the new Avalon 9 3/8% notes limits the activities of the issuers and of their specified subsidiaries to:

- incur additional debt;

- pay dividends or make other restricted payments;

- enter into transactions with affiliates;

- sell assets or subsidiary stock;

- create liens;

- merge, consolidate or sell all or substantially all or their combined assets;

- incur debt that is senior to the Avalon 9 3/8% notes but junior to senior debt; and

- issue capital stock.

The Avalon 9 3/8% notes contain events of default that include a cross-default provision triggered by the failure of Avalon Cable of New England, LLC, Avalon Cable Finance, Inc., Avalon Cable of Michigan, Inc. or any specified subsidiary to make payment on debt with an aggregate principal amount of $5 million or more or the acceleration of debt of this amount prior to maturity.

As of June 30, 1999, there was $150.0 million total principal outstanding on the Avalon 9 3/8% notes.

THE BRESNAN NOTES. On February 2, 1999, Bresnan Communications Group LLC and Bresnan Capital Corporation jointly issued $170 million total principal amount of 8% Series A senior notes due 2009 and $275 million total principal amount at maturity of 9 1/4% Series A senior discount notes due 2009.

In September 1999, the issuers of the Bresnan notes completed an exchange offer in which Bresnan senior notes and senior discount notes representing 100% of the principal amount of all Bresnan notes outstanding were exchanged for new notes. The form and terms of the new Bresnan notes are the same in all material respects as the form and terms of the original Bresnan notes except that the new Bresnan notes have been registered under the federal securities laws and will not bear a legend restricting their transfer.

The Bresnan senior notes bear interest at 8% per year from the original issue date or from the most recent date to which interest has been paid or provided for, payable semiannually on February 1 and August 1 of each year, commencing on August 1, 1999. The Bresnan senior discount notes bear interest at 9 1/4% per year, compounded semiannually, to a total principal amount of $275 million by February 1, 2004, unless the issuers elect to accrue interest on or after February 1, 2002. On and after August 1, 2004, interest on the Bresnan senior discount notes will accrue at a rate of 9 1/4% per year and will be payable in cash semiannually in arrears on February 1 and August 1.

The Bresnan senior notes are not redeemable prior to February 1, 2004. During the year 2004, the Bresnan senior notes are redeemable at 104.00% of the principal amount plus accrued and unpaid interest. The premium decreases to 102.667% in 2005, 101.33% in 2006 and 100% on or after February 1, 2007.

The Bresnan senior discount notes are not redeemable prior to February 1, 2004. During the year 2004, the Bresnan senior discount notes will be redeemable at 104.625% of their accreted value plus accrued and unpaid interest. The premium decreases to 103.083% in 2005, 101.542% in 2006 and 100% in 2007.

At any time prior to February 1, 2002, the issuers may redeem up to 35% of the total principal amount of the Bresnan senior notes at a redemption price equal to 108% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of one or more equity offerings. Following such redemption, at least 65% of the total principal amount of the Bresnan senior notes must remain outstanding.

At any time prior to February 1, 2002, the issuers may also redeem up to 35% of the total principal amount at maturity of the Bresnan senior discount notes at a redemption price equal to 109.250% of the accreted value thereof plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds of one or more equity offerings. Following such redemption, at least 65% of the total principal amount of the Bresnan senior discount notes must remain outstanding.

The Bresnan notes will be senior unsecured obligations of the issuers and will rank equal in right of payment with all existing and future senior debt of and will be senior in right of payment to all its existing and future subordinated debt. Bresnan Capital Corporation has no, and the terms of the indenture governing the Bresnan notes prohibit it from having any, obligations other than the Bresnan notes.

Upon the occurrence of specified change of control events, each holder of Bresnan notes shall have the right to require the issuers to purchase all or any part of such holder's notes at a purchase price of 101% of the principal amount in the case of the Bresnan senior notes, and 101% of the accreted value thereof in the case of the Bresnan senior discount notes, plus accrued and unpaid interest, if any, to the purchase date. Our acquisition of Bresnan will trigger this right. We expect that the Bresnan notes will be tendered and that we will repurchase the Bresnan notes with borrowings under credit facilities to be arranged at Bresnan.

Among other restrictions, the indenture governing the Bresnan notes limits the ability of Bresnan Communications Group LLC and its specified subsidiaries to:

- incur additional debt;

- make specified restricted payments;

- create liens;

- create or permit any restrictions on the payment of dividends or other distributions to Bresnan Communications Group LLC;

- guarantee debt;

- consolidate with, merge into or transfer all or substantially all of their assets;

- sell assets; and

- transact business with their affiliates.

The events of default for the Bresnan notes include a cross-default provision that is triggered by any acceleration of the maturity of debt in a total amount in excess of this $15 million of Bresnan or the specified subsidiaries of Bresnan or the failure to pay debt in this amount at final maturity.

As of June 30, 1999, there was $170.0 million total principal outstanding on the Bresnan senior notes and the accreted value of the outstanding Bresnan senior discount notes was $181.8 million.

# DESCRIPTION OF CAPITAL STOCK AND MEMBERSHIP UNITS

## GENERAL

Upon the completion of the offering, the capital stock of Charter Communications, Inc. and the provisions of Charter Communications, Inc.'s restated certificate of incorporation and bylaws will be as described below. These summaries are qualified by reference to the restated certificate of incorporation and the bylaws, copies of which have been filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part.

Our authorized capital stock will consist of 1.75 billion shares of Class A common stock, par value $.001 per share, 750 million shares of Class B common stock, par value $.001 per share, and 250 million shares of preferred stock, par value $.001 per share.

Charter Communications, Inc.'s restated certificate of incorporation and Charter Communications Holding Company's limited liability company agreement contain provisions that are designed to cause the number of shares of common stock of Charter Communications, Inc. that are outstanding to equal the number of common membership units of Charter Communication Holding Company owned by Charter Communications, Inc. and to cause the value of a share of common stock to be equal to the value of a common membership unit. These provisions are meant to allow a holder of common stock of Charter Communications, Inc. to easily understand the economic interest that such holder's common shares represent of Charter Communications Holding Company's business.

In particular, provisions in Charter Communications, Inc.'s restated certificate of incorporation provide that:

(1) at all times the number of shares of common stock of Charter Communications, Inc. outstanding will be equal to the number of Charter Communications Holding Company common membership units owned by Charter Communications, Inc.;

(2) Charter Communications, Inc. will not hold any assets other than, among other allowable assets:

- working capital and cash held for the payment of current obligations and receivables from Charter Communications Holding Company;

- common membership units of Charter Communications Holding Company;

- obligations and equity interests of Charter Communications Holding Company that correspond to obligations and equity interests issued by Charter Communications, Inc.; and

- assets subject to an existing obligation to contribute such assets in exchange for membership units of Charter Communications Holding Company; and

(3) Charter Communications, Inc. will not borrow any money or enter into any capital lease unless Charter Communications Holding Company enters into the

same arrangements with Charter Communications, Inc. so that Charter Communications, Inc.'s liability flows through to Charter Communications Holding Company.

Provisions in Charter Communications Holding Company's limited liability company agreement provide that upon the contribution by Charter Communications, Inc. of assets acquired through the issuance of common stock by Charter Communications, Inc., Charter Communications Holding Company will issue to Charter Communications, Inc. an equal number of common membership units as Charter Communications, Inc. issued shares of common stock. In the event of the contribution by Charter Communications, Inc. of assets acquired through the issuance of indebtedness or preferred interests of Charter Communications, Inc., Charter Communications Holding Company will issue to Charter Communications, Inc. a corresponding obligation to allow Charter Communications, Inc. to pass through to Charter Communications Holding Company these liabilities or preferred interests.

COMMON STOCK

As of the completion of the offering, there will be 170,000,000 shares of Class A common stock issued and outstanding and 50,000 shares of Class B common stock issued and outstanding. If, as described below, all shares of Class B common stock convert to shares of Class A common stock as a result of dispositions by Mr. Allen and his affiliates, the holders of Class A common stock will be entitled to elect all members of the board of directors, other than any members elected separately by the holders of any preferred shares.

VOTING RIGHTS. The holders of Class A common stock and Class B common stock generally have identical rights, except:

- each Class A common stockholder is entitled to one vote per share; and

- each Class B common stockholder is entitled to a number of votes based on the number of outstanding Class B common stock and membership units exchangeable for Class B common stock. For example, Mr. Allen will be 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 held by him or his affiliates; and

- the Class B common stockholders have the sole power to vote to amend or repeal the provisions of Charter Communications, Inc.'s restated certificate of incorporation relating to:

    (1) the activities in which Charter Communications, Inc. may engage;

    (2) the required ratio of outstanding shares of common stock to outstanding membership units owned by Charter Communications, Inc.; and

    (3) the restrictions on the assets and liabilities that Charter Communications, Inc. may hold.

The effect of the provisions described in the final bullet point is that holders of Class A common stock will have no right to vote on these matters. These provisions would allow Mr. Allen, for example, to amend the restated certificate of incorporation to permit Charter Communications, Inc. to engage in currently prohibited business activities without having to seek the approval of holders of Class A common stock.

The voting rights relating to the election of Charter Communications, Inc.'s board of directors are as follows:

- The Class B common stockholders, voting separately as a class, are entitled to elect all but one member of Charter Communications, Inc.'s board of directors.

- Class A and Class B common stockholders, voting together as one class, are entitled to elect the remaining member of Charter Communications, Inc.'s board of directors who is not elected by the Class B common stockholders.

- Class A common stockholders and Class B common stockholders are not entitled to cumulate their votes in the election of directors.

- In addition, if Charter Communications, Inc. issues any series of preferred stock that entitles holders to elect directors, the holders of such series of preferred stock may be able to vote for directors if provided in the instrument creating such preferred stock.

Other than the election of directors and any matters where Delaware law or Charter Communications, Inc.'s restated certificate of incorporation or by-laws requires otherwise, all matters to be voted on by stockholders must be approved by a majority of the votes cast by the holders of shares of Class A common stockholders and Class B common stockholders present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock.

Amendments to Charter Communications, Inc.'s restated certificate of incorporation that would adversely alter or change the powers, preferences or special rights of the Class A common stock or the Class B common stock also must be approved by a majority of the votes entitled to be cast by the holders of the outstanding shares of the affected class, voting as a separate class. In addition, the following actions by Charter Communications, Inc. must be approved by the affirmative vote of the holders of at least a majority of the voting power of the outstanding Class B common stock, voting as a separate class:

- the issuance of any Class B common stock other than to Mr. Allen and his affiliates and other than pursuant to specified stock splits and dividends;

- the issuance of any stock of Charter Communications, Inc. other than Class A common stock (and other than Class B common stock as described above); and

- the amendment, modification or repeal of any provision of its restated certificate of incorporation relating to capital stock or the removal of directors.

Charter Communications, Inc. will lose its rights to manage the business of Charter Communications Holding Company and Charter Investment, Inc. will become the sole manager of Charter Communications Holding Company if at any time a court holds that the holders of the Class B common stock no longer:

- have the number of votes per share of Class B common stock described above;

- have the right to elect, voting separately as a class, all but one member of Charter Communications, Inc.'s board of directors, except for any directors elected separately by the holders of preferred stock; or

- have the right to vote as a separate class on matters that adversely affect the Class B common stock with respect to:

  (1) the issuance of equity securities of Charter Communications, Inc. other than the Class A common stock; or

  (2) the voting power of the Class B common stock.

These provisions are contained in the limited liability company agreement of Charter Communications Holding Company. The Class B common stock could lose these rights if a holder of Class A common stock successfully challenges in a court proceeding the voting rights of the Class B common stock. In any of these circumstances, Charter Communications, Inc. would also lose its 100% voting control of Charter Communications Holding Company as provided in Charter Communications Holding Company's limited liability company agreement. These provisions exist to assure Mr. Allen that he will be able to control Charter Communications Holding Company in the event he was no longer able to control Charter Communications, Inc. through his ownership of Class B common stock. These events could have a material adverse impact on our business and the market price of the Class A common stock. See "Risk Factors -- Our Structure".

DIVIDENDS. Holders of Class A common stock and Class B common stock will share ratably (based on the number of shares of common stock held) in any dividend declared by Charter Communications, Inc.'s board of directors, subject to any preferential rights of any outstanding preferred stock. Dividends consisting of shares of Class A common stock and Class B common stock may be paid only as follows:

- shares of Class A common stock may be paid only to holders of Class A common stock;

- shares of Class B common stock may be paid only to holders of Class B common stock; and

- the number of shares of each class of common stock payable per share of such class of common stock shall be equal in number.

Charter Communications, Inc.'s restated certificate of incorporation provides that Charter Communications, Inc. may not pay a stock dividend unless the number of outstanding Charter Communications Holding Company common membership units are adjusted accordingly. This provision is designed to maintain the equal value between shares of common stock and membership units and the one-to-one exchange ratio.

CONVERSION OF CLASS B COMMON STOCK. Each share of outstanding Class B common stock will automatically convert into one share of Class A common stock if, at any time, Mr. Allen or any of his affiliates sells any shares of common stock of Charter Communications, Inc. or membership units of Charter Communications Holding Company and as a result of such sale, Mr. Allen and his affiliates no longer own directly and indirectly common stock and other equity interests in Charter Communications, Inc. and membership units in Charter Communications Holding Company that in total represent at least:

- 20% of the sum of the values, as of the date of this offering, of the shares of Class B common stock directly or indirectly owned by Mr. Allen and his affiliates and the shares of Class B common stock for which outstanding Charter Communications Holding Company membership units directly or indirectly owned by Mr. Allen and his affiliates are exchangeable, and

- 5% of the sum of the values, calculated as of the date of such sale, of shares of outstanding common stock and other equity interests in Charter Communications, Inc. and the shares of Charter Communications, Inc. common stock for which outstanding Charter Communications Holding Company membership units are exchangeable.

These provisions exist to assure that Mr. Allen will no longer be able to control Charter Communications, Inc. if after sales of his equity interests he owns an insignificant economic interest in our business. The conversion of all Class B common stock in accordance with these provisions would not trigger Charter Communications Holding Company's limited liability company agreement provisions described above whereby Charter Communications, Inc. would lose its management rights and special voting rights relating to Charter Communications Holding Company in the event of an adverse determination of a court affecting the rights of the Class B common stock.

Each holder of a share of Class B common stock has the right to convert such share into one share of Class A common stock at any time on a one-for-one basis. If a Class B common stockholder transfers any shares of Class B common stock to a person other than an authorized Class B common stockholder, these shares of Class B common stock will automatically convert into shares of Class A common stock. Authorized Class B common stockholders are Paul G. Allen, entities controlled by Mr. Allen, Mr. Allen's estate, any organization qualified under Section 501(c)(3) of the Internal Revenue Code that is Mr. Allen's beneficiary upon his death and certain trusts established by or for the benefit of Mr. Allen. In this context, "controlled" means the ownership of more than 50% of the voting power and economic interest of an entity and "transfer" means the transfer of record or beneficial ownership of any such share of Class B common stock.

OTHER RIGHTS. Shares of Class A common stock and Class B common stock will be treated equally in the event of any merger or consolidation of Charter Communications, Inc. so that:

- each class of common stockholders will receive per share the same kind and amount of capital stock, securities, cash and/or other property received by any other class of common stockholders, provided that any shares of capital stock so received may differ in a manner similar to the manner in which the shares of Class A common stock and Class B common stock differ; or

- each class of common stockholders, to the extent they receive a different kind (other than as described above) or different amount of capital stock, securities, cash and/or other property than that received by any other class of common stockholders, will receive for each share of common stock they hold stock, securities, cash and/or other property having a value substantially equivalent to that received by such other class of common stockholders.

Upon Charter Communications, Inc.'s liquidation, dissolution or winding up, after payment in full of the amounts required to be paid to preferred stockholders, if any, all common stockholders, regardless of class, are entitled to share ratably in any assets and funds available for distribution to common stockholders.

No shares of any class of common stock are subject to redemption or have preemptive rights to purchase additional shares of common stock.

PREFERRED STOCK

Upon the closing of the offering, Charter Communications, Inc.'s board of directors will be authorized, subject to the approval of the holders of the Class B common stock, to issue from time to time up to an aggregate of 250 million shares of preferred stock in one or more series and to fix the numbers, powers, designations, preferences, and any special rights of the shares of each such series thereof, including:

- dividend rights and rates;

- conversion rights;

- voting rights;

- terms of redemption (including any sinking fund provisions) and redemption price or prices;

- liquidation preferences; and

- the number of shares constituting and the designation of such series.

Upon the closing of the offering, there will be no shares of preferred stock outstanding. Charter Communications, Inc. has no present plans to issue any shares of preferred stock, other than possibly in connection with the financing of the Bresnan acquisition.

OPTIONS

As of October 15, 1999, options to purchase a total of 9,206,282 membership units in Charter Communications Holding Company were outstanding pursuant to the Charter Communications Holding Company 1999 option plan. Of these options, 65,000 have vested and 65,000 will vest on the date of the closing of this offering. The remainder will not vest before April 2000. In addition, 7,044,127 options to purchase membership units in Charter Communications Holding Company were outstanding pursuant to an employment agreement and a related agreement with Charter Communications, Inc.'s chief executive officer. Of these options, 1,761,032 vested on December 23, 1998, with the remainder vesting at a rate of 1/36th on the first of each month for months 13 through 48.

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF CHARTER COMMUNICATIONS, INC.'S RESTATED CERTIFICATE OF INCORPORATION AND BYLAWS

Provisions of Charter Communications, Inc.'s restated certificate of incorporation and bylaws may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

SPECIAL MEETING OF STOCKHOLDERS. Our bylaws provide that, subject to the rights of holders of any series of preferred stock, special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer or a majority of our board of directors.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS. Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely prior written notice of their proposals. To be timely, a stockholder's notice must be received at our principal executive offices not less than 45 days nor more than 70 days prior to the first anniversary of the date on which we first mailed our proxy statement for the prior year's annual meeting. If, however, the date of the annual meeting is more than 30 days before or after the anniversary date of the prior year's annual meeting, notice by the stockholder must be received not less than 90 days prior to the annual meeting or by the 10th day following the public announcement of the date of the meeting, whichever occurs later, and not more than 120 days prior to the annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may limit stockholders in bringing matters before an annual meeting of stockholders or in making nominations for directors at an annual meeting of stockholders.

AUTHORIZED BUT UNISSUED SHARES. The authorized but unissued shares of Class A common stock are available for future issuance without stockholder approval and, subject to approval by the holders of the Class B common stock, the authorized but unissued shares of Class B common stock and preferred stock are available for future issuance. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

MEMBERSHIP UNITS

Charter Communications Holding Company has four separate classes of common membership units designated Class A, Class B, Class C and Class D and one class of preferred membership units designated Class A. Immediately following the offering, there will be 494,955,052 Charter Communications Holding Company common membership units issued and outstanding.

- Charter Investment, Inc. will own 217,585,246 Class A common membership units, Vulcan Cable III Inc. will own 107,319,806 Class A common membership units;

- Charter Communications, Inc. will own 170,050,000 Class B common membership units;

- 135,036,045 Class A preferred membership units are owned by the sellers in the Rifkin transaction;

- Upon the closing of the Falcon acquisition, a portion of the purchase price will be paid in the form of Class D common membership units, ranging from a minimum amount of units with an estimated value of $425 million to a maximum with a fixed value of $550 million at the option of specified Falcon sellers; and

- Upon the closing of the Bresnan acquisition, approximately $1.0 billion of the purchase price will be paid in the form of Class C common membership units.

Subsequent to the consummation of the offering, any matter requiring a vote of the members will require the affirmative vote of a majority of the Class B common membership units. Charter Communications, Inc. will own all Class B common membership units immediately after the offering and therefore will control Charter Communications Holding Company. Because Mr. Allen owns high vote Class B common stock of Charter Communications, Inc. that entitles him to approximately 95% of the voting power of the outstanding common stock of Charter Communications, Inc., Mr. Allen controls Charter Communications, Inc. and through this company will have voting control of Charter Communications Holding Company.

The net cash proceeds that Charter Communications, Inc. receives from any issuance of shares of common stock will be immediately transferred to Charter Communications Holding Company in exchange for membership units equal in number to the number of shares of common stock issued by Charter Communications, Inc., except as described in the next paragraph in connection with the offering or permitted under Charter Communications, Inc.'s restated certificate of incorporation.

Concurrently with the closing of the offering, Charter Communications, Inc. will contribute the proceeds of the offering to Charter Communications Holding Company, less a portion that will be retained by Charter Communications, Inc. to permit Charter Communications, Inc. to purchase the stock of Avalon Cable of Michigan Holdings, Inc. that will be acquired in the Avalon acquisition. Charter Communications, Inc., rather than Charter Communications Holding Company, will purchase this stock to simplify the organizational structure of the acquired Avalon companies without incurring tax. This tax-free simplification would not be available if the stock were purchased by a limited liability company. After the closing of the Avalon acquisition and this simplification transaction, Charter Communications, Inc. will be obligated to contribute to Charter Communications Holding Company the equity interests in Avalon Cable LLC, an indirect wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc. that it will have purchased and any remaining cash retained from the proceeds of the offering. If the Avalon acquisition does not close on or before the termination date of the Avalon acquisition agreement (currently March 31, 2000), Charter Communications, Inc. will contribute the retained proceeds from the offering together with any earnings on the retained proceeds to Charter Communications Holding Company. Concurrently with the closing of the offering, Charter Communications Holding Company will issue to Charter Communications, Inc. 170,000,000 Class B common membership units in Charter Communications Holding Company in exchange for the contribution of proceeds and the obligation to contribute the Avalon interests described above.

EXCHANGE AGREEMENTS

Upon the closing of the offering, we will have entered into an agreement permitting Vulcan Cable III Inc., Charter Investment, Inc. and any other affiliate of Mr. Allen to exchange at any time on a one-for-one basis any or all of their Charter Communications Holding Company common membership units for shares of Class B common stock. This exchange may occur directly or, at the election of the exchanging holder, indirectly through a tax-free reorganization such as a share exchange or a statutory merger of any Allen-controlled entity with and into Charter Communications, Inc. or a wholly-owned subsidiary of Charter Communications, Inc. In the case of an exchange in connection with a tax-free share exchange or a statutory merger, shares of Class A common stock held by Mr. Allen or the Allen-controlled entity will also be exchanged for Class B common stock. Mr. Allen or his affiliates may own Class A common stock, for example, if they were required to repurchase shares of Class A common stock as a result of the exercise of put rights granted to the Rifkin, Falcon and Bresnan sellers in respect of their shares of Class A common stock.

Similar exchange agreements will also permit all other holders of Charter Communications Holding Company common membership units, other than Charter Communications, Inc., to exchange at any time on a one-for-one basis any or all of their common membership units for shares of Class A common stock. These other holders would include, for example, those sellers under the Falcon acquisition and the Bresnan acquisition that receive common membership units of Charter Communications Holding Company.

Charter Communications Holding Company common membership units are exchangeable at any time for shares of our Class A common stock or, in the case of Mr. Allen and his affiliates, Class B common stock which is then convertible into shares of Class A common stock. The exchange agreements, Mr. Kent's option agreement and the Charter Communications Holding Company 1999 option plan will state that common membership units are exchangeable for shares of common stock at a value equal to the fair market value of the common membership units. The exchange ratio of common membership units to shares of common stock will be one to one because we have structured Charter Communications, Inc. and Charter Communications Holding Company so that the fair market value of a share of the Class A common stock will equal the fair market value of a common membership unit.

Our organizational documents achieve this result by:

- limiting the assets and liabilities that Charter Communications, Inc. may hold; and

- requiring the number of shares of Charter Communications, Inc. common stock outstanding at any time to equal the number of common membership units owned by Charter Communications, Inc.

If we fail to comply with these provisions or they are changed, the exchange ratio may vary from one to one and will then be based on a pre-determined formula contained in the exchange agreements, Mr. Kent's option agreement and the Charter Communications Holding Company 1999 option plan. This formula will be based on the then current relative fair market values of common membership units and common stock.

SPECIAL TAX ALLOCATION PROVISIONS

OVERVIEW. Charter Communications Holding Company's limited liability company agreement contains a number of provisions affecting allocation of tax losses and tax profits to its members. In some situations, these provisions could result in Charter Communications, Inc. having to pay income taxes in an amount that is more than it would have had to pay if these provisions did not exist. The purpose of these provisions is to allow Mr. Allen to take advantage for tax purposes of the losses expected to be generated by Charter Communications Holding Company. We do not expect that these special tax allocation provisions will materially affect our results of operations or financial condition.

SPECIAL LOSS ALLOCATION PROVISIONS. The limited liability company agreement provides that, through the end of 2003, tax losses of Charter Communications Holding Company that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units will be allocated instead to the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. We expect that the effect of these special loss allocation provisions will be that Mr. Allen, through his investment in Vulcan Cable III Inc. and Charter Investment, Inc., will receive tax savings.

Except as we describe below, the special loss allocation provisions should not adversely affect Charter Communications, Inc. or its shareholders. This is because Charter Communications, Inc. would not be in a position to benefit from tax losses until Charter Communications Holding Company generates allocable tax profits, and we do not expect Charter Communications Holding Company to generate tax profits for the foreseeable future.

The special loss allocation provisions will reduce Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company if over time there are insufficient allocations to be made under the special profit allocation provisions described below to restore these distribution rights.

SPECIAL PROFIT ALLOCATION PROVISIONS. The limited liability company agreement further provides that, beginning at the time Charter Communications Holding Company first becomes profitable (as determined under the applicable federal income tax rules for determining book profits), tax profits that would otherwise have been allocated to Charter Communications, Inc. based generally on its percentage of outstanding membership units will instead be allocated to Mr. Allen, through the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. We expect that these special profit allocation provisions will provide tax savings to Charter Communications, Inc. and result in additional tax costs for Mr. Allen. The special profit allocations will also have the effect of restoring over time Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company. These special profit allocations generally will continue until such time as Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company that had been reduced as a result of the special loss allocations have been fully restored. We cannot assure you that Charter Communications Holding Company will become profitable.

POSSIBLE ADVERSE IMPACT FROM THE SPECIAL ALLOCATION PROVISIONS. In a number of situations, these special tax allocations could result in Charter Communications, Inc. having to pay more taxes than if the special tax allocation provisions had not been adopted.

For example, the special profit allocation provisions may result in an allocation of tax profits to the membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. that is less than the amount of the tax losses previously allocated to these units pursuant to the special loss allocation provisions described above. In this case, Charter Communications, Inc. could be required to pay higher taxes but only commencing at the time when Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company have been fully restored as described above. These tax payments could reduce our reported net income for the relevant period.

As another example, under their exchange agreement with Charter Communications, Inc., Vulcan Cable III Inc. and Charter Investment, Inc. may exchange some or all of their membership units for Class B common stock prior to the date that the special profit allocation provisions have had the effect of fully restoring Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company. Charter Communications, Inc. will then be allocated tax profits attributable to the membership units it receives in such exchange pursuant to the special profit allocation provisions. As a result, Charter Communications, Inc. could be required to pay higher taxes in years following such an exchange of common stock for membership units than if the special tax allocation provisions had not been adopted. These tax payments could reduce our reported net income for the relevant period.

However, we do not anticipate that the special tax allocations will result in Charter Communications, Inc. having to pay taxes in an amount that is materially different on a present value basis than the taxes that would be payable had the special tax allocation provisions not been adopted, although there is no assurance that a material difference will not result.

IMPACT OF MERGER AND OTHER NON-TAXABLE TRANSACTIONS; MR. ALLEN'S REIMBURSEMENT OBLIGATIONS. Mr. Allen, through Vulcan Cable III Inc. and Charter Investment, Inc., has the right to transfer his Charter Communications Holding Company membership units in a non-taxable transaction, including a merger, to Charter Communications, Inc. for common stock. Such a transaction may occur prior to the date that the special profit allocation provisions have had the effect of fully restoring Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company. In this case, the following will apply.

Vulcan Cable III Inc. or Charter Investment, Inc. may elect to cause Charter Communications Holding Company to make additional special allocations in order to restore Mr. Allen's rights to receive distributions upon a liquidation of Charter Communications Holding Company. If this election is not made, or if an election is made but these additional special allocations are insufficient to restore these rights to Mr. Allen, Mr. Allen, Vulcan Cable III Inc. or Charter Investment, Inc., whichever receives the Class B common stock, will agree to make specified payments to Charter Communications, Inc. in respect of the common stock received. The payments will equal the amount that Charter Communications, Inc. actually pays in income taxes solely as a result of the allocation to it of tax profits because of the losses previously allocated to membership units transferred to it. Any of these payments would be made at the time Charter Communications, Inc. actually pays these income taxes.

BRESNAN SPECIAL ALLOCATION PROVISIONS. Charter Communications Holding Company's limited liability company agreement will contain provisions for special allocations of tax losses and tax profits between the Bresnan sellers receiving membership units on the one hand and Mr. Allen, through Vulcan Cable III Inc. and Charter Investment, Inc., on the other. Because of these provisions, Charter Communications, Inc. could under some circumstances be required to pay higher taxes in years following an exchange by the Bresnan sellers of membership units for shares of Class A common stock. However, we do not anticipate that any such exchange for Class A common stock will result in our having to pay taxes in an amount that is materially different on a present value basis than the taxes that would have been payable had the special allocations not been adopted, although there is no assurance that a material difference will not result.

The effect of the special loss allocations discussed above is expected to be that Mr. Allen and some of the sellers in the Bresnan transaction will receive tax savings while at the same time reducing their rights to receive distributions upon a liquidation of Charter Communications Holding Company. If and when special profit allocations occur, their rights to receive distributions upon a liquidation of Charter Communications Holding Company will be restored over time, and they will likely incur some additional tax costs.

OTHER MATERIAL TERMS OF LIMITED LIABILITY COMPANY AGREEMENT OF CHARTER COMMUNICATIONS HOLDING COMPANY

GENERAL. Charter Communications Holding Company is a limited liability company that was formed on May 25, 1999.

Charter Communications Holding Company has four separate classes of common membership units designated as Class A, Class B, Class C and Class D and one class of preferred membership units designated as Class A. Charter Investment, Inc. and Vulcan Cable III Inc. are the holders of the Class A common membership units. Charter Communications, Inc. will be the holder of the Class B common membership units. The Bresnan and Falcon sellers will be the holders of the Class C and Class D membership units, respectively. The Rifkin sellers are the holders of the Class A preferred membership units.

Charter Communications Holding Company's limited liability company agreement contains provisions that permit each member (and its officers, directors, agents, stockholders, members, partners or affiliates) to engage in businesses that may compete with the businesses of Charter Communications Holding Company or any subsidiary. However, the directors of Charter Communications, Inc., including Mr. Allen and Mr. Kent, are subject to fiduciary duties under Delaware corporate law that generally require them to present business opportunities in the cable transmission business to Charter Communications, Inc.

The limited liability company agreement restricts the business activities that Charter Communications Holding Company may engage in. See "Certain Relationships and Related Transactions -- Allocation of Business Opportunities with Mr. Allen".

TRANSFER RESTRICTIONS. The limited liability company agreement restricts the ability of each member to transfer its membership interest unless specified conditions have been met. These conditions include:

- the transfer will not result in the loss of any license or regulatory approval or exemption that has been obtained by Charter Communications Holding Company and is materially useful in its business as then conducted or proposed to be conducted;

- the transfer will not result in a material limitation or restriction on Charter Communications Holding Company's operations;

- the proposed transferee agrees in writing to be bound by the limited liability company agreement; and

- except for a limited number of permitted transfers under the limited liability company agreement, the transfer has been approved by the manager in its sole discretion.

Except for a limited number of permitted transfers under the limited liability company agreement, no holder of membership units may transfer all or a portion of its membership interest unless it first gives written notice of the proposed transfer to both Charter Communications Holding Company and the holders of the Class A common membership units. Within a specified period following receipt of the notice, Charter Communications Holding Company may elect to purchase from the holder all or a portion of the holder's membership units being sold. Unless Charter Communications Holding Company elects to purchase all of these membership units, the holders of the Class A membership units may elect to purchase a portion of the holder's membership units being sold. If Charter Communications Holding Company and the holders of the Class A membership units do not agree to purchase all of the membership units being sold, the relevant holder of membership units may transfer all of these membership units to its proposed transferee.

SPECIAL RESTRICTIONS ON PARTNERS OF FALCON HOLDING GROUP, L.P. TO TRANSFER MEMBERSHIP UNITS. Class D common membership units held by Falcon Holding Group, L.P. are transferable to its partners, subject to the restrictions on transfer described above. However, if any proposed transferee fails to agree to be bound by the limited liability company agreement and to represent that it is an accredited investor or if Charter Communications Holding Company reasonably determines that the transfer to this transferee would require registration under the Securities Act of 1933, as amended, then Charter Communications Holding Company must purchase for cash those Class D common membership units that are proposed to be transferred.

SPECIAL REDEMPTION RIGHTS RELATING TO CLASS A PREFERRED MEMBERSHIP UNITS. The holders of Class A preferred membership units have the right under a separate redemption and put agreement to cause Charter Communications Holding Company to redeem their preferred membership units at specified redemption prices. Charter Communications Holding Company will have the right to redeem the Class A preferred membership units at specified redemption prices at any time starting 30 days after the this offering.

SPECIAL RIGHTS GRANTED FORMER OWNERS OF BRESNAN. The limited liability company agreement provides that upon the closing of the Bresnan acquisition, Charter Communications, Inc. must:

- provide the Bresnan sellers that are affiliates of Blackstone Group L.P. consultative rights reasonably acceptable to Charter Communications, Inc. so that, as long as these Bresnan sellers hold Class C common membership units, they may preserve their status and benefits under federal tax and labor laws, and

- attempt, in good faith, to keep in place specified notes and credit facilities of a number of subsidiaries of Bresnan and substantially all of the security and collateral relating to these obligations, as long as the Bresnan sellers hold Class C common membership units. The purpose of this obligation is to preserve specified tax benefits for the Bresnan sellers that depend on these notes and credit facilities remaining outstanding. Any required repayments of Bresnan notes and credit facilities that we may have to make, as described elsewhere in this prospectus, will not affect this obligation to keep specified notes and credit facilities in place.

AMENDMENTS TO THE LIMITED LIABILITY COMPANY AGREEMENT. Any amendment to the limited liability company agreement generally may be adopted only upon the approval of a majority of the Class B common membership units. The agreement may not be amended in a manner that adversely affects the rights of any class of common membership units without the consent of holders holding a majority of the membership units of that class.

REGISTRATION RIGHTS

HOLDERS OF CLASS B COMMON STOCK. Charter Communications, Inc., Mr. Allen, Charter Investment, Inc., Vulcan Cable III Inc., Mr. Kent, Mr. Babcock and Mr. Wood will enter into a registration rights agreement upon the closing of this offering. The agreement will give Mr. Allen and his affiliates the right to cause us to register the shares of Class A common stock issued to them upon conversion of any shares of Class B common stock that they may hold. The agreement will give Messrs. Kent, Babcock and Wood the right to cause us to register the shares of Class A common stock issuable to them upon exchange of Charter Communications Holding Company membership units.

This registration rights agreement provides that each eligible holder is entitled to unlimited "piggyback" registration rights permitting them to include their shares of Class A common stock in registration statements filed by us. These holders may also exercise their demand rights causing us, subject to specified limitations, to register their Class A shares, provided that the amount of shares subject to each demand has a market value at least equal to $50 million or, if the market value is less than $50 million, all of the Class A shares of the holders participating in the offering are included in such registration. We are obligated to pay the costs associated with all such registrations.

Holders may elect to have their shares registered pursuant to a shelf registration statement provided that at the time of the election, Charter Communications, Inc. is eligible to file a registration statement on Form S-3 and the amount of shares to be registered has a market value equal to at least $100.0 million on the date of the election.

Mr. Allen also has the right to cause Charter Communications, Inc. to file a shelf registration statement in connection with the resale of shares of Class A common stock then held by or issuable to specified sellers under the Rifkin, Falcon and Bresnan acquisitions that have the right to cause Mr. Allen to purchase equity interests issued to them as a result of these acquisitions.

Immediately following the offering, all shares of Class A common stock issuable to the registration rights holders in exchange for Charter Communications Holding Company membership units and upon conversion of outstanding Class B common stock and conversion of Class B common stock issuable to the registration rights holders upon exchange of Charter Communications Holding Company membership units will be subject to the registration rights described above.

RIFKIN SELLERS. In connection with the Rifkin acquisition, Charter Communications, Inc. will register the resale of the Class A common stock issued in exchange for the Charter Communications Holding Company LLC Class A preferred membership units by specified Rifkin sellers on a shelf registration statement on Form S-1. These Rifkin sellers executed lockup agreements restricting the transfer of any securities exchangeable for or convertible into shares of Class A common stock for 180 days after the date of this prospectus. We anticipate that the shelf registration will remain in effect for a period of at least 18 months following the expiration of the lock-up period.

FALCON SELLERS. Pursuant to the registration rights agreement Charter Communications, Inc. will enter into with specified sellers in the Falcon acquisition, these sellers are entitled to registration rights with respect to the shares of Class A common stock issuable upon exchange of Charter Communications Holding Company membership units to be issued to them as part of the consideration for the Falcon acquisition.

These Falcon sellers or their permitted transferees will have "piggyback" registration rights and, beginning 180 days after the offering, up to four "demand" registration rights with respect to the Class A common stock issued upon exchange of the Charter Communications Holding Company membership units. The demand registration rights must be exercised with respect to tranches of Class A common stock worth at least $40 million at the time of notice of demand or at least $60 million at the initial public offering price. A majority of the holders of Class A common stock making a demand may also require us to satisfy our registration obligations by filing a shelf registration statement. The selling holders of Class A common stock may also exercise their piggyback rights with respect to the offering, to the extent this offering occurs following the closing of the Falcon acquisition.

We may register for resale the shares of our Class A common stock issuable in exchange for common membership units issued to Falcon sellers pursuant to a shelf registration statement on Form S-1.

BRESNAN SELLERS. Pursuant to the registration rights agreement Charter Communications, Inc. will enter into with specified sellers under the Bresnan acquisition, these sellers are entitled to registration rights with respect to the shares of Class A common stock issuable upon exchange of the Charter Communications Holding Company membership units to be issued in the Bresnan acquisition.

We may register the shares of our Class A common stock issuable to the Bresnan sellers in exchange for these units for resale pursuant to a shelf registration statement on Form S-1. We currently are seeking the agreement by the Bresnan sellers not to transfer the shares prior to 180 days after the completion of this offering.

The Bresnan sellers collectively will have unlimited "piggyback" registration rights and, beginning 180 days after this offering, up to four "demand" registration rights with respect to the Class A common stock issued in exchange for the membership units in Charter Communications Holding Company. The demand registration rights must be exercised with respect to tranches of Class A common stock worth at least $40 million at the time of notice of demand or at least $60 million at the initial public offering price. The Bresnan sellers have agreed to be prohibited, except through the exercise of any put rights, from selling shares of Class A common stock prior to 180 days after the completion of this offering.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is ChaseMellon Shareholder Services, L.L.C.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to the offering, there has been no public market for the shares of Class A common stock. Upon the completion of the offering, Charter Communications, Inc. will have 170,000,000 shares of Class A common stock issued and outstanding, or 195,500,000 if the underwriters exercise their over-allotment option in full. In addition, the following shares of Class A common stock will be issuable in the future:

- 324,905,052 shares of Class A common stock will be issuable upon conversion of Class B common stock issuable upon exchange of Charter Communications Holding Company membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. These membership units are exchangeable for shares of Class B common stock at any time following the closing of the offering on a one-for-one basis. Shares of Class B common stock are convertible into shares of Class A common stock at any time following the closing of the offering on a one-for-one basis;

- 65,920,979 shares of Class A common stock will be issuable upon the exchange of Charter Communications Holding Company membership units issued to specified sellers in our recent and pending acquisitions, assuming the relevant sellers elect to receive the maximum number of Charter Communications Holding Company membership units that they are entitled to receive;

- 16,250,408 shares of Class A common stock will be issuable upon the exchange of Charter Communications Holding Company membership units that are received upon the exercise of options granted under the Charter Communications Holding Company 1999 option plan and to Charter Communications, Inc.'s chief executive officer. Charter Communications Holding Company intends to issue upon the closing of this offering additional options. The number of options to be issued has not yet been determined. Upon issuance, these membership units will be immediately exchanged for shares of Class A common stock, without any further action by the optionholder. The weighted average exercise price of all outstanding options for membership units is $20.02; and

- 50,000 shares of Class A common stock will be issuable upon conversion of outstanding shares of Class B common stock on a one-for-one basis.

Of the total number of our shares of Class A common stock issued or issuable as described above, 170,000,000 shares will be eligible for immediate public resale following the completion of this offering, except for any such shares held by our "affiliates". Charter Communications, Inc., all of its directors and executive officers, Charter Communications Holding Company, Charter Investment, Inc. and Vulcan Cable III Inc. have agreed not to dispose of or hedge any of their Class A common stock or securities convertible into or exchangeable for Class A common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and except that Charter Communications, Inc. and Charter Communications Holding Company will be entitled to offer and sell convertible debt, convertible preferred or other equity securities to finance a portion of the Bresnan acquisition purchase price. The underwriters do not have any current intention to release shares of Class A common stock or other securities subject to the lock-up.

The sellers in the Rifkin acquisition and the Bresnan acquisition who have received or will receive Charter Communications Holding Company membership units have agreed to similar restrictions. The Falcon sellers who are receiving Charter Communications Holding Company membership units will not be subject to such restrictions except for Mr. Marc Nathanson, who will execute a lock-up agreement in his capacity as a director nominee of Charter Communications, Inc. The membership units issued to the Falcon sellers will be exchangeable for shares of Class A common stock. However, such shares will not be registered and such sellers will have no right to register the stock for a period of 180 days following the closing of the offering.

In addition, all of the shares of Class A common stock issued or issuable as described above, except for shares issued in the offering other than to our "affiliates", may only be sold in compliance with Rule 144 under the Securities Act of 1933, unless registered under the Securities Act of 1933 pursuant to demand or piggyback registration rights. Substantially all of the shares of Class A common stock issuable upon exchange of Charter Communications Holding Company membership units and all shares of Class A common stock issuable upon conversion of shares of our Class B common stock will have demand and piggyback registration rights attached to them, including those issuable to Mr. Allen through Charter Investment, Inc. and Vulcan Cable III Inc.

The sale of a substantial number of shares of Class A common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for the Class A common stock. In addition, any such sale or perception could make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we deem appropriate.

We anticipate that a registration statement on Form S-8 covering the Class A common stock that may be issued pursuant to the exercise of options under the Charter Communications Holding Company 1999 option plan will be filed promptly after completion of the offering. The shares of Class A common stock covered by the Form S-8 registration statement generally may be resold in the public market without restriction or limitation, except in the case of our affiliates who generally may only resell such shares in accordance with the provisions of Rule 144 of the Securities Act of 1933, other than the holding period requirement.

# CERTAIN UNITED STATES TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

## GENERAL

The following is a general discussion of the material United States federal income and estate tax consequences of the ownership and disposition of our Class A common stock by a non-U.S. Holder. As used in this prospectus, the term "non-U.S. holder" is any person or entity that, for United States federal income tax purposes, is either a nonresident alien individual, a foreign corporation, a foreign partnership or a foreign trust, in each case not subject to United States federal income tax on a net basis in respect of income or gain with respect to our common stock.

This discussion does not address all aspects of United States federal income and estate taxes that may be relevant to a particular non-U.S. holder in light of the holder's particular circumstances. This discussion is not intended to be applicable in all respects to all categories of non-U.S. holders, some of whom may be subject to special treatment under United States federal income tax laws, including "controlled foreign corporations," "passive foreign investment companies," and "foreign personal holding companies". Moreover, this discussion does not address United States state or local or foreign tax consequences. This discussion is based on provisions of the Internal Revenue Code of 1986, as amended, existing and proposed regulations promulgated under, and administrative and judicial interpretations of, the Internal Revenue Code in effect on the date of this prospectus. All of these authorities may change, possibly with retroactive effect or different interpretations. The following summary is included in this prospectus for general information. Accordingly, prospective investors are urged to consult their tax advisors regarding the United States federal, state, local and non-United States income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

An individual may be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. In determining whether an individual is present in the United States for at least 183 days, all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to United States federal income and estate tax in the same manner as United States citizens and residents.

## DIVIDENDS

We do not anticipate paying cash dividends on our capital stock in the foreseeable future. See "Dividend Policy". In the event, however, that dividends are paid on shares of our Class A common stock, dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to United States withholding tax at a 30% rate, unless an applicable income tax treaty provides for a lower withholding rate. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Currently, the applicable United States Treasury regulations presume, absent actual knowledge to the contrary, that dividends paid to an address in a foreign country are paid to a resident of such country for purposes of the 30% withholding tax discussed above. However, recently finalized United States Treasury regulations provide that in the case of dividends paid after December 31, 2000, United States backup withholding tax at a 31% rate will be imposed on dividends paid to non-U.S. holders if the certification or documentary evidence procedures and requirements set forth in such regulations are not satisfied directly or through an intermediary. Further, in order to claim the benefit of an applicable income tax treaty rate for dividends paid after December 31, 2000, a non-U.S. holder must comply with certification requirements set forth in the recently finalized United States Treasury regulations. The final United States Treasury regulations also provide special rules for dividend payments made to foreign intermediaries, United States or foreign wholly owned entities that are disregarded for United States federal income tax purposes and entities that are treated as fiscally transparent in the United States, the applicable income tax treaty jurisdiction, or both. Prospective investors should consult with their own tax advisors concerning the effect, if any, of these tax regulations and the recent legislation on an investment in the Class A common stock.

A non-U.S. holder of Class A common stock that is eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for a refund with the Internal Revenue Service.

Dividends paid to a non-U.S. holder are taxed generally on a net income basis at regular graduated rates where such dividends are either:

(1) effectively connected with the conduct of a trade or business of such holder in the United States or

(2) attributable to a permanent establishment of such holder in the United States.

The 30% withholding tax is not applicable to the payment of dividends if the non-U.S. Holder files Form 4224 or any successor form with the payor, or, in the case of dividends paid after December 31, 2000, such holder provides its United States taxpayer identification number to the payor. In the case of a non-U.S. holder that is a corporation, such income may also be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

GAIN ON DISPOSITION OF CLASS A COMMON STOCK

A non-U.S. holder generally will not have to comply with United States federal income or withholding tax requirements in respect of gain recognized on a disposition of Class A common stock unless:

(1) the gain is effectively connected with the conduct of a trade or business of the non-U.S. holder within the United States or of a partnership, trust or estate in which the non-U.S. holder is a partner or beneficiary within the United States,

(2) the gain is attributable to a permanent establishment of the non-U.S. holder within the United States,

(3) the non-U.S. holder is an individual who holds the Class A common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, is present in the United States for 183 or more days in the taxable year of the disposition and meets certain other tax law requirements,

(4) the non-U.S. holder is a United States expatriate required to pay tax pursuant to the provisions of United States tax law, or

(5) we are or have been a "United States real property holding corporation" for federal income tax purposes at any time during the shorter of the five-year period preceding such disposition or the period that the non-U.S. holder holds the common stock.

Generally, a corporation is a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business.

We believe that we are not, have not been and do not anticipate becoming, a United States real property holding corporation for United States federal income tax purposes. However, even if we were to become a United States real property holding corporation, any gain realized by a non-U.S. holder still would not be subject to United States federal income tax if our shares are regularly traded on an established securities market and the non-U.S. holder did not own, directly or indirectly, at any time during the five-year period ending on the date of sale or other disposition, more than 5% of our Class A common stock. If, however, our stock is not so treated, on a sale or disposition by a non-U.S. holder of our Class A common stock, the transferee of such stock will be required to withhold 10% of the proceeds unless we certify that either we are not and have not been a United States real property holding company or another exemption from withholding applies.

A non-U.S. holder who is an individual and meets the requirements of clause (1), (2) or (4) above will be required to pay tax on the net gain derived from a sale of Class A common stock at regular graduated United States federal income tax rates. Further, a non-U.S. holder who is an individual and who meets the requirements of clause (3) above generally will be subject to a flat 30% tax on the gain derived from a sale. Thus, individual non-U.S. holders who have spent or expect to spend a short period of time in the United States should consult their tax advisors prior to the sale of Class A common stock to determine the United States federal income tax consequences of the sale. A non-U.S. holder who is a corporation and who meets the requirements of clause (1) or (2) above generally will be required to pay tax on its net gain at regular graduated United States federal income tax rates. Such non-U.S. holder may also have to pay a branch profits tax.

FEDERAL ESTATE TAX

For United States federal estate tax purposes, an individual's gross estate will include the Class A common stock owned, or treated as owned, by an individual. Generally, this will be the case regardless of whether such individual was a United

States citizen or a United States resident. This general rule of inclusion may be limited by an applicable estate tax or other treaty.

INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

Under United States Treasury regulations, we must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends. These information reporting requirements apply regardless of whether withholding is required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Currently, the 31% United States backup withholding tax generally will not apply:

(1) to dividends which are paid to non-U.S. holders and are taxed at the regular 30% withholding tax rate as discussed above, or

(2) before January 1, 2001, to dividends paid to a non-U.S. holder at an address outside of the United States unless the payor has actual knowledge that the payee is a U.S. holder.

Backup withholding and information reporting generally will apply to dividends paid to addresses inside the United States on shares of Class A common stock to beneficial owners that are not "exempt recipients" and that fail to provide identifying information in the manner required.

The recently finalized United States Treasury regulations provide that in the case of dividends paid after December 31, 2000, a non-U.S. holder generally would be subject to backup withholding tax at the rate of 31% unless

(1) certification procedures, or

(2) documentary evidence procedures, in the case of payments made outside the United States with respect to an offshore account

are satisfied. These regulations generally presume a non-U.S. holder is subject to backup withholding at the rate of 31% and information reporting requirements unless we receive certification of the holder's non-United States status. Depending on the circumstances, this certification will need to be provided either:

(1) directly by the non-U.S. holder,

(2) in the case of a non-U.S. holder that is treated as a partnership or other fiscally transparent entity, by the partners, shareholders or other beneficiaries of such entity, or

(3) by qualified financial institutions or other qualified entities on behalf of the non-U.S. holder.

Information reporting and backup withholding at the rate of 31% generally will not apply to the payment of the proceeds of the disposition of Class A common stock by a holder to or through the United States office of a broker or through a non-United States branch of a United States broker unless the holder either certifies its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds of the disposition by a non-U.S. holder of Class A common stock to or through a non-United States office of a non-United States broker will not be subject to backup withholding or information reporting unless the non-United States broker has a connection to the United States as specified by United States federal tax law.

In the case of the payment of proceeds from the disposition of Class A common stock effected by a foreign office of a broker that is a United States person or a "United States related person," existing regulations require information reporting on the payment unless:

(1) the broker receives a statement from the owner, signed under penalty of perjury, certifying its non-United States status;

(2) the broker has documentary evidence in its files as to the non-U.S. holder's foreign status and the broker has no actual knowledge to the contrary, and other United States federal tax law conditions are met; or

(3) the beneficial owner otherwise establishes an exemption.

For this purpose, a "U.S. related person" is either:

(1) a "controlled foreign corporation" for United States federal income tax purposes or

(2) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment is derived from activities that are effectively connected with the conduct of a United States trade or business.

After December 31, 2000, the regulations under the Internal Revenue Code will impose information reporting and backup withholding on payments of the gross proceeds from the sale or redemption of Class A common stock that is effected through foreign offices of brokers having any of a broader class of specified connections with the United States. Such information reporting and backup withholding may be avoided, however, if the applicable Internal Revenue Service certification requirements are complied with. Prospective investors should consult with their own tax advisors regarding the regulations under the Internal Revenue Code and in particular with respect to whether the use of a particular broker would subject the investor to these rules.

Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder will be either refunded or credited against the holder's United States federal tax liability, provided sufficient information is furnished to the Internal Revenue Service.

LEGAL MATTERS

The validity of the shares of Class A common stock offered in this prospectus will be passed upon for Charter Communications, Inc. by Paul, Hastings, Janofsky & Walker LLP, New York, New York. Certain legal matters in connection with the Class A common stock offered in this prospectus will be passed upon for the underwriters by Debevoise & Plimpton, New York, New York.

EXPERTS

The financial statements of Charter Communications, Inc., Charter Communications Holding Company, LLC and subsidiaries, CCA Group, CharterComm Holdings, L.P. and subsidiaries, the Greater Media Cablevision Systems, the Sonic Communications Cable Television Systems and Long Beach Acquisition Corp., included in this prospectus, to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said reports.

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 combined financial statements of Bresnan Communications Group Systems as of December 31, 1997 and 1998, and for each of the years in the three-year period ended December 31, 1998, the consolidated financial statements of Marcus Cable Holdings, LLC as of December 31, 1998 and 1997, and for each of the years in the three-year period ended December 31, 1998, and 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, 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, the combined financial statements of the Picayune, MS, LaFourche, LA, St. Tammany, LA, St. Landry, LA, Pointe Coupee, LA, and Jackson, TN cable systems, the financial statements of Indiana Cable Associates, LTD., the financial statements of R/N South Florida Cable Management Limited Partnership, the combined financial statements of Fanch Cable Systems (comprised of components of TW Fanch-one Co. and TW Fanch-two Co.) and the consolidated financial statements of Falcon Communications, L.P., included in this prospectus, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere in this prospectus, and are included herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The audited combined financial statements of InterMedia Cable Systems (comprised of components of InterMedia Partners and InterMedia Capital Partners IV, L.P.), the audited financial statements of Rifkin Cable Income Partners L.P., the audited consolidated financial statements of Rifkin Acquisition Partners, L.L.L.P., the audited consolidated financial statements of Avalon Cable of Michigan Holdings, Inc. and subsidiaries, the audited consolidated financial statements of Cable Michigan Inc. and subsidiaries, the audited consolidated financial statements of Avalon Cable LLC and subsidiaries, the audited financial statements of Amrac Clear View, a Limited Partnership, the audited 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 prospectus, 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, given on the authority of said firm as experts in auditing and accounting.

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 prospectus, 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.

# UNDERWRITING

Charter Communications, Inc., Charter Communications Holding Company and the underwriters for the U.S. offering named below have entered into an underwriting agreement with respect to the Class A common stock being offered in the United States and Canada. Subject to certain conditions, each U.S. underwriter has severally agreed to purchase the number of shares indicated in the following table. The underwriters are obligated to purchase all of these shares if any shares are purchased. Goldman, Sachs & Co., Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., A. G. Edwards & Sons, Inc. and M. R. Beal & Company are the representatives of the U.S. underwriters.

| U.S. Underwriters | Number of Shares |
|---|---|
| Goldman, Sachs & Co. | |
| Bear, Stearns & Co. Inc. | |
| Morgan Stanley & Co. Incorporated | |
| Donaldson, Lufkin & Jenrette Securities Corporation | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| Salomon Smith Barney Inc. | |
| A.G. Edwards & Sons, Inc. | |
| M.R. Beal & Company | |
| Total | 144,500,000 |

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If the U.S. underwriters sell more shares than the total number set forth in the table above, the U.S. underwriters have an option to buy up to an additional 21,675,000 shares from Charter Communications, Inc. to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the U.S. underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts to be paid to the U.S. underwriters by Charter Communications, Inc. Such amounts are shown assuming both no exercise and full exercise of the U.S. underwriters' option to purchase additional shares.

| | Paid by Charter Communications, Inc. | |
|---|---|---|
| | No Exercise | Full Exercise |
| Per share | $ | $ |
| Total | $ | $ |

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all of the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

Charter Communications, Inc. and Charter Communications Holding Company have entered into an underwriting agreement with the underwriters for the international offering of 25,500,000 shares of Class A common stock outside the United States and Canada. The terms and conditions of both offerings are the same and the sale of shares in both offerings are conditioned on each other. Goldman Sachs International, Bear, Stearns International Limited, Morgan Stanley & Co. International Limited, Donaldson, Lufkin & Jenrette International, Merrill Lynch International and Salomon Brothers International Limited are representatives of the international underwriters. Charter Communications, Inc. has granted the international underwriters an option similar to that granted the U.S. underwriters to purchase up to an aggregate of an additional 3,825,000 shares.

The underwriters for both of the offerings have entered into an agreement in which they have agreed to restrictions on where and to whom they and any dealer purchasing from them may offer shares as a part of the distribution of the shares. The underwriters have also agreed that they may sell shares among each of the underwriting groups.

Charter Communications, Inc., all of its directors and executive officers, Charter Communications Holding Company, Charter Investment, Inc. and Vulcan Cable III Inc. have agreed with the underwriters not to dispose of or hedge any of their Class A common stock or securities convertible into or exchangeable for Class A common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and except that Charter Communications, Inc. and Charter Communications Holding Company will be entitled to offer and sell convertible debt, convertible preferred or other equity securities to finance a portion of the Bresnan acquisition purchase price. The Rifkin sellers who received Charter Communications Holding Company membership units have agreed to similar restrictions. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among Charter Communications, Inc. and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and our earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Charter Communications, Inc. has applied to have the Class A common stock included for quotation on the Nasdaq National Market under the symbol "CHTR".

In connection with the offering, the underwriters may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Class A common stock while the offering is in progress.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts, will be approximately $40 million and will be paid by Charter Communications Holding Company.

Charter Communications, Inc. and Charter Communications Holding Company have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

At our request, the underwriters have reserved for sale at the initial public offering price up to 4% of the shares offered by Charter Communications, Inc. to be sold to its directors, officers, employees, employees of the entities operating the cable systems to be acquired in the pending acquisitions, and associates and sellers in the pending Helicon acquisition, as described in the following paragraph. The number of shares available for sale to the general public will be reduced to the extent such shares are purchased. Any of these reserved shares not so purchased will be offered by the underwriters on the same basis as the shares offered hereby.

At our request, the underwriters will reserve up to $12 million of Class A common stock at the initial public offering price for sale to specified sellers of the Helicon cable systems. This would represent 666,667 shares of Class A common stock, calculated at the mid-point of the range set forth on the cover page of this prospectus.

A prospectus in electronic format will be made available on the web sites maintained by one or more of the underwriters participating in this offering. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives of the underwriters to underwriters that may make Internet distributions on the same basis as other allocations.

Certain of the underwriters and their affiliates have in the past provided, and may in the future from time to time provide, investment banking and general financing and banking services to Charter Communications Holding Company and its affiliates for which they have in the past received, and may in the future receive, customary fees.

Goldman Sachs Credit Partners L.P., an affiliate of Goldman, Sachs & Co., has agreed to provide us with a bridge loan facility providing for borrowings of up to $750 million to finance required repayments of Falcon debentures and notes that we may have to repurchase as a result of the Falcon acquisition. Goldman, Sachs & Co. has provided a fairness opinion to us in connection with the Broadband Partners joint venture. Goldman Sachs & Co. acted as financial adviser to Charter Investment, Inc. (formerly Charter Communications, Inc.) in connection with its acquisition by Paul G. Allen in December 1998.

Goldman, Sachs & Co. and Donaldson Lufkin & Jenrette Securities Corporation acted as co-lead managers and as initial purchasers in the March 1999 Rule 144A placement of Charter Holdings' senior notes. Bear, Stearns & Co. Inc. and Salomon Smith Barney Inc. were initial purchasers in this placement. Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. acted as co-dealer managers in connection with three tender offers for debt securities of Charter Holdings' subsidiaries which were made in the first quarter of 1999.

Donaldson, Lufkin & Jenrette Securities Corporation, Citibank, N.A., an affiliate of Salomon Smith Barney Inc., and Goldman, Sachs & Co. are lenders and managing agents under Charter Operating's $4.1 billion senior credit facilities. Goldman, Sachs & Co., Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated have agreed to be lenders and managing agents under the proposed $1.2 billion senior credit facilities to be arranged in connection with the Fanch acquisition. Citibank, N.A., an affiliate of Salomon Smith Barney Inc., has agreed to be a lender and documentation agent under the proposed Fanch credit facilities and is also a lender under the $1.5 billion restated and amended Falcon credit facilities.

The husband of Nancy B. Peretsman, a director nominee of Charter Communications, Inc., is a managing director of Morgan Stanley & Co. Incorporated.

This prospectus may be used by the underwriters and other dealers in connection with offers and sales of the shares, including sales of shares initially sold by the underwriters in the offering being made outside of the United States, to persons located in the United States.

# INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications, Inc.:

We have audited the accompanying balance sheet of Charter Communications, Inc. as of July 22, 1999. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 balance sheet referred to above presents fairly, in all material respects, the financial position of Charter Communications, Inc. as of July 22, 1999, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,

July 22, 1999 (except with respect
to the matter discussed in Note 2, as
to which the date is November 1, 1999)

# CHARTER COMMUNICATIONS, INC.

## BALANCE SHEET

| | JULY 22, 1999 |
|---|---|
| **ASSETS** | |
| CASH | $100 |
| **STOCKHOLDER'S EQUITY** | |
| COMMON STOCK -- $.001 par value, 100 shares authorized, issued and outstanding | $ -- |
| ADDITIONAL PAID-IN CAPITAL | 100 |
| Total stockholder's equity | $100 |

The accompanying notes are an integral part of the balance sheet.

CHARTER COMMUNICATIONS, INC.

NOTES TO BALANCE SHEET
JULY 22, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION

On July 22, 1999, Charter Investment, Inc. (Charter Investment), a company controlled by Paul G. Allen, formed a wholly owned subsidiary, Charter Communications, Inc. (CCI or the "Company"), a Delaware corporation with an initial investment of $100. The Company has no operations or cash flows other than the initial investment made by Charter Investment. Accordingly, statements of operations and cash flows are not presented.

2. SUBSEQUENT EVENT:

In July 1999, the Company filed a registration statement on Form S-1 with the SEC, as amended on September 3, 1999, and further amended on September 28, 1999, October 18, 1999, and November 1, 1999 for the issuance of Class A common stock to the public (IPO). CCI will be a holding company whose sole asset will be a controlling equity interest in Charter Communications Holding Company, LLC (Charter Communications Holding Company), a direct and indirect owner of cable systems.

Upon completion of the IPO, CCI intends to purchase membership units of Charter Communications Holding Company representing a 100% voting interest and an approximate 34% economic interest. As sole manager of Charter Communications Holding Company, CCI will control the business affairs of Charter Communications Holding Company. CCI's consolidated financial statements will include the accounts of Charter Communications Holding Company upon completion of the IPO. The assets and liabilities of Charter Communications Holding Company will be reflected in the consolidated financial statements of CCI at their historical carrying values and a minority interest will be recorded on the consolidated balance sheet representing that portion of the net equity of Charter Communications Holding Company not owned by CCI.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications Holding Company, LLC:

We have audited the accompanying consolidated balance sheet of Charter Communications Holding Company, LLC and subsidiaries as of December 31, 1998, and the related consolidated statements of operations and cash flows for the period from December 24, 1998, through December 31, 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 financial position of Charter Communications Holding Company, LLC and subsidiaries as of December 31, 1998, and the results of their operations and their cash flows for the period from December 24, 1998, through December 31, 1998, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,
February 5, 1999 (except with respect to the
matters discussed in Notes 1 and 13,
as to which the date is April 19, 1999)

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1998 |
|---|---|
| **ASSETS** | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | $ 9,573 |
| Accounts receivable, net of allowance for doubtful accounts of $1,728 | 15,108 |
| Prepaid expenses and other | 2,519 |
| Total current assets | 27,200 |
| INVESTMENT IN CABLE TELEVISION PROPERTIES: | |
| Property, plant and equipment | 716,242 |
| Franchises, net of accumulated amortization of $5,253 | 3,590,054 |
| | 4,306,296 |
| OTHER ASSETS | 2,031 |
| | $4,335,527 |
| **LIABILITIES AND MEMBERS' EQUITY** | |
| CURRENT LIABILITIES: | |
| Current maturities of long-term debt | $ 10,450 |
| Accounts payable and accrued expenses | 127,586 |
| Payables to manager of cable television systems -- related party | 4,334 |
| Total current liabilities | 142,370 |
| LONG-TERM DEBT | 1,991,756 |
| DEFERRED MANAGEMENT FEES -- RELATED PARTY | 15,561 |
| OTHER LONG-TERM LIABILITIES | 38,461 |
| MEMBERS' EQUITY -- 100 UNITS ISSUED AND OUTSTANDING | 2,147,379 |
| | $4,335,527 |

The accompanying notes are an integral part of this consolidated statement.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM DECEMBER 24, 1998, THROUGH DECEMBER 31, 1998 |
|---|---|
| REVENUES | $13,713 |
| OPERATING EXPENSES: | |
| Operating costs | 6,168 |
| General and administrative | 966 |
| Depreciation and amortization | 8,318 |
| Stock option compensation expense | 845 |
| Corporate expense charges -- related party | 473 |
| | 16,770 |
| Loss from operations | (3,057) |
| OTHER INCOME (EXPENSE): | |
| Interest income | 133 |
| Interest expense | (2,353) |
| | (2,220) |
| Net loss | $(5,277) |

The accompanying notes are an integral part of this consolidated statement.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM DECEMBER 24, 1998, THROUGH DECEMBER 31, 1998 |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | $ (5,277) |
| Adjustments to reconcile net loss to net cash provided by operating activities -- | |
| Depreciation and amortization | 8,318 |
| Stock option compensation expense | 845 |
| Changes in assets and liabilities -- | |
| Receivables, net | (8,753) |
| Prepaid expenses and other | (211) |
| Accounts payable and accrued expenses | 10,227 |
| Payables to manager of cable television systems | 473 |
| Other operating activities | 2,022 |
| Net cash provided by operating activities | 7,644 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property, plant and equipment | (13,672) |
| Net cash used in investing activities | (13,672) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Borrowings of long-term debt | 14,200 |
| Net cash provided by financing activities | 14,200 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 8,172 |
| CASH AND CASH EQUIVALENTS, beginning of period | 1,401 |
| CASH AND CASH EQUIVALENTS, end of period | $ 9,573 |
| CASH PAID FOR INTEREST | $ 5,538 |
| NONCASH TRANSACTION -- Transfer of cable television operating subsidiaries from the parent company (see Note 1) | $2,151,811 |

The accompanying notes are an integral part of this consolidated statement.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION AND BASIS OF PRESENTATION

Charter Communications Holding Company, LLC (CCHC), a Delaware limited liability company, was formed in 1999 as a wholly owned subsidiary of Charter Investment, Inc. (Charter), formerly Charter Communications, Inc. Charter, through its wholly owned cable television operating subsidiary, Charter Communications Properties, LLC (CCP), commenced operations with the acquisition of a cable television system on September 30, 1995.

Effective December 23, 1998, through a series of transactions, Paul G. Allen acquired approximately 94% of Charter 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, Charter acquired 100% 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 television operating companies, for $2.0 billion, excluding $1.8 billion in debt assumed from unrelated third parties for fair value. Charter 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 from the date of acquisition. In February 1999, Charter transferred all of its cable television operating subsidiaries to a wholly owned subsidiary of Charter Communications Holdings, LLC (Charter Holdings), Charter Communications Operating, LLC (Charter Operating). Charter Holdings is a wholly owned subsidiary of CCHC. 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 CCP, CharterComm Holdings and CCA Group, CCHC has applied push-down accounting in the preparation of the consolidated financial statements. Accordingly, CCHC increased its members' equity by $2.2 billion to reflect the amounts paid by Paul G. Allen and Charter. 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. The allocation of the purchase price is based, in part, on preliminary information which is subject to adjustment upon obtaining complete valuation information of intangible assets. The valuation information is expected to be finalized in the third quarter of 1999. Management believes that finalization of the purchase price will not have a material impact on the results of operations or financial position of CCHC.

On April 23, 1998, Paul G. Allen and a company controlled by Paul G. Allen, (the "Paul G. 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, Paul G. 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 Paul G. Allen obtained voting control of Marcus Cable. Accordingly, the results of operations of Marcus Cable have not been included in the financial statements for the period ended December 31, 1998.

The consolidated financial statements of CCHC include the accounts of Charter Operating and CCP and the accounts of CharterComm Holdings and CCA Group and their subsidiaries since December 23, 1998 (date acquired by Charter) and are collectively referred to as the "Company" herein. All subsidiaries are wholly owned. All material intercompany transactions and balances have been eliminated. The Company derives its primary source of revenues by providing various levels of cable television programming and services to residential and business customers. As of December 31, 1998, the Company provided cable television services to customers in 20 states in the U.S.

The consolidated financial statements of CCHC for periods prior to December 24, 1998, are not presented herein since, as a result of the Paul Allen Transaction and the application of push down accounting, the financial information as of December 31, 1998, and for the period from December 24, 1998, through December 31, 1998, is presented on a different cost basis than the financial information as of December 31, 1997, and for the periods prior to December 24, 1998. Such information is not comparable.

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, 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 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, 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 |

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. 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.

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, 1998, 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. On a monthly basis, such fees are collected from the Company's customers and are periodically remitted to local franchises. Franchise fees collected and paid are reported as revenues.

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 designed for hedging purposes and are not held or issued for speculative purposes.

INCOME TAXES

Income taxes are the responsibility of the individual members or partners and are not provided for in the accompanying consolidated financial statements. In addition, certain subsidiaries are corporations subject to income taxes but have no operations and, therefore, no material income tax liabilities or assets.

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 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. PRO FORMA FINANCIAL INFORMATION (UNAUDITED):

In addition to the acquisitions by Charter of CharterComm Holdings and CCA Group, the Company acquired cable television systems for an aggregate purchase price, net of cash acquired, of $291,800 and $342,100 in 1998 and 1997, respectively, all prior to December 24, 1998. The Company also refinanced substantially all of its long-term debt in March 1999 (see Note 12).

Unaudited pro forma operating results as though the acquisitions and refinancing discussed above, including 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:

| | YEAR ENDED DECEMBER 31 | |
|---|---|---|
| | 1998 | 1997 |
| Revenues | $ 601,953 | $ 550,259 |
| Loss from operations | (90,346) | (129,009) |
| Net loss | (294,598) | (329,323) |

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the results of operations or financial position of the Company had these transactions been completed as of the assumed date or which may be obtained in the future.

3. MEMBERS' EQUITY:

For the period from December 24, 1998, through December 31, 1998, members' equity consisted of the following:

| | |
|---|---|
| Balance, December 24, 1998 | $2,151,811 |
| Net loss | (5,277) |
| Stock option compensation | 845 |
| Balance, December 31, 1998 | $2,147,379 |

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1998:

| | |
|---|---|
| Cable distribution systems | $ 661,749 |
| Land, buildings and leasehold improvements | 26,670 |
| Vehicles and equipment | 30,590 |
| | 719,009 |
| Less -- Accumulated depreciation | (2,767) |
| | $ 716,242 |

For the period from December 24, 1998, through December 31, 1998, depreciation expense was $2,767.

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1998:

| | |
|---|---|
| Accrued interest | $ 30,809 |
| Franchise fees | 12,534 |
| Programming costs | 11,856 |
| Capital expenditures | 15,560 |
| Accrued income taxes | 15,205 |
| Accounts payable | 7,439 |
| Other accrued liabilities | 34,183 |
| | $127,586 |

6. LONG-TERM DEBT:

Long-term debt consists of the following at December 31, 1998:

| | |
|---|---|
| Credit Agreements (including CCP, CCA Group and CharterComm Holdings) | $1,726,500 |
| Senior Secured Discount Debentures | 109,152 |
| 11 1/4% Senior Notes | 125,000 |
| Current maturities | (10,450) |
| Unamortized net premium | 41,554 |
| | $1,991,756 |

CCP CREDIT AGREEMENT

CCP maintains a credit agreement (the "CCP Credit Agreement"), which provides for two term loan facilities, one with the principal amount of $60,000 that matures on June 30, 2006, and the other with the principal amount of $80,000 that matures on June 30, 2007. The CCP Credit Agreement also provides for a $90,000 revolving credit facility with a maturity date of June 30, 2006. Amounts under the CCP Credit Agreement bear interest at the LIBOR Rate or Base Rate, as defined, plus a margin up to 2.88%. The variable interest rates ranged from 7.44% to 8.19% at December 31, 1998.

CC-I, CC-II COMBINED CREDIT AGREEMENT

Charter Communications, LLC and Charter Communications II, LLC, subsidiaries of CharterComm Holdings, maintains 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 up to 2.0%. The variable interest rates ranged from 6.69% to 7.31% at December 31, 1998. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving credit facility.

CHARTERCOMM HOLDINGS -- SENIOR SECURED DISCOUNT DEBENTURES

CharterComm Holdings issued $146,820 of Senior Secured Discount Debentures (the "Debentures") for proceeds of $75,000. The Debentures are effectively subordinated to the claims and creditors of CharterComm Holdings' subsidiaries, including the lenders under the Combined Credit Agreement. The Debentures are redeemable at the Company's 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 issuer is 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.

CHARTERCOMM HOLDINGS -- 11 1/4% SENIOR NOTES

CharterComm Holdings issued $125,000 aggregate principal amount of 11 1/4% Senior Notes (the "11 1/4% Notes"). The Notes are effectively subordinated to the claims of creditors of CharterComm Holdings' subsidiaries, including the lenders under the Combined Credit Agreements. The 11 1/4% Notes are redeemable at the Company's option at amounts decreasing from 106% to 100% of principal, plus accrued and unpaid interest to the date of redemption, beginning on March 15, 2001. The issuer is required to make an offer to purchase all of the 11 1/4% 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 11 1/4% Notes indenture. Interest is payable semiannually on March 15 and September 15 until maturity on March 15, 2006.

As of December 24, 1998, the Debentures and 11 1/4% Notes were recorded at their estimated fair values resulting in an increase in the carrying values of the debt and an unamortized net premium as of December 31, 1998. The premium will be amortized to interest expense over the estimated remaining lives of the debt using the interest method. As of December 31, 1998, the effective interest rates on the Debentures and 11 1/4% Notes were 10.7% and 9.6%, respectively.

CCE-I CREDIT AGREEMENT

Charter Communications Entertainment I LLC, a subsidiary of CCA Group, maintains a credit agreement (the "CCE-I Credit Agreement"), which provides for a $280,000 term loan that matures on September 30, 2006, and $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 up to 2.75%. The variable interest rates ranged from 6.88% to 8.06% at December 31, 1998. A quarterly commitment fee of between 0.375% and 0.5% per annum is payable on the unborrowed balance of the revolving credit facility.

CCE-II COMBINED CREDIT AGREEMENT

Charter Communications Entertainment II, LLC and Long Beach LLC, subsidiaries of CCA Group, maintain a credit agreement (the "CCE-II 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 CCE-II Combined Credit Agreement also provides for a $185,000 revolving credit facility, with a maturity date of March 31, 2005. Amounts under the CCE-II Combined Credit Agreement bear interest at either the LIBOR Rate or Base Rate, as defined, plus a margin up to 2.5%. The variable rates ranged from 6.56% to 7.59% at December 31, 1998. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving credit facility.

CCE CREDIT AGREEMENT

Charter Communications Entertainment, LLC, a subsidiary of CCA Group, maintains a credit agreement (the "CCE 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 Credit Agreement bear interest at the LIBOR Rate or Base Rate, as defined, plus a margin up to 3.25%. The variable interest rate at December 31, 1998, was 8.62%.

CCE-II HOLDINGS CREDIT AGREEMENT

CCE-II Holdings, LLC, a subsidiary of CCA Group, entered into a credit agreement (the "CCE-II Holdings Credit Agreement"), 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 up to 3.25%. The variable rate at December 31, 1998, was 8.56%.

Based upon outstanding indebtedness at December 31, 1998, and the amortization of term and fund loans, and scheduled reductions in available borrowings of the revolving credit facilities, aggregate future principal payments on the total borrowings under all debt agreements at December 31, 1998, are as follows:

| YEAR | AMOUNT |
|---|---|
| 1999 | $ 10,450 |
| 2000 | 21,495 |
| 2001 | 42,700 |
| 2002 | 113,588 |
| 2003 | 157,250 |
| Thereafter | 1,652,837 |
| | $1,998,320 |

7. FAIR VALUE OF FINANCIAL INSTRUMENTS:

A summary of debt and the related interest rate hedge agreements at December 31, 1998, is as follows:

| DEBT | CARRYING VALUE | NOTIONAL AMOUNT | FAIR VALUE |
|---|---|---|---|
| Credit Agreements (including CCP, CCA Group and CharterComm Holdings)........................... | $1,726,500 | $ -- | $1,726,500 |
| Senior Secured Discount Debentures................. | 138,102 | -- | 138,102 |
| 11 1/4% 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) |

As the long-term debt under the credit agreements bears interest at current market rates, their carrying amount approximates market value at December 31, 1998. The fair values of the 11 1/4% 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 7.66% at December 31, 1998. The weighted average interest rate for the Company's interest rate cap agreements was 8.55% at December 31, 1998. The weighted average interest rates for the Company's interest rate collar agreements were 8.61% and 7.31% for the cap and floor components, 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.

8. RELATED-PARTY TRANSACTIONS:

Charter 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 $128 for the period from December 24, 1998, through December 31, 1998. All other costs incurred by Charter on behalf of the Company are recorded as expenses in the accompanying consolidated financial statements and are included in corporate expense charges -- related party. Management believes that costs incurred by 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.

Charter 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 $2,435 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.

The Company is charged a management fee based on percentages of revenues or a flat fee plus additional fees based on percentages of operating cash flows, as stipulated in the management agreements between Charter and the operating subsidiaries. To the extent management fees charged to the Company are greater (less) than the corporate expenses incurred by Charter, the Company will record distributions to (capital contributions from) Charter. 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 on behalf of the Company. As of December 31, 1998, management fees currently payable of $473 are included in payables to manager of cable television systems-related party. Beginning in 1999, the management fee will be based on 3.5% of revenues as permitted by the new debt agreements of the Company (see Note 13).

Charter, Paul G. Allen and certain affiliates of Mr. Allen own equity interests or warrants to purchase equity interests in various entities which provide services or programming to the Company, including High Speed Access Corp. (High Speed Access), WorldGate Communications, Inc. (WorldGate), Wink Communications, Inc. (Wink), ZDTV, USA Networks, Inc. (USA Networks) and Oxygen Media Inc. (Oxygen Media). In addition, certain officers or directors of the Company 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 television subscribers receive cable modem-based internet access through High Speed Access and TV-based internet access through WorldGate. 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 television 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 period from December 24, 1998, through December 31, 1998, were less than 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 period from December 24, 1998, through December 31, 1998, were less than 1% of total revenues.

9. 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 December 24, 1998, through December 31, 1998, were $70. Future minimum lease payments are as follows:

| | |
|---|---|
| 1999 | $2,843 |
| 2000 | 2,034 |
| 2001 | 1,601 |
| 2002 | 626 |
| 2003 | 366 |
| Thereafter | 1,698 |

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 December 24, 1998, through December 31, 1998, was $137.

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 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 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, 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 consolidated 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.

## 10. 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 made contributions to the 401(k) Plans totaling $20 for the period from December 24, 1998, through December 31, 1998.

## 11. 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).

## 12. PARENT COMPANY ONLY FINANCIAL STATEMENTS

As a result of the limitations on and prohibitions of distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution to CCHC, the parent company. CCHC (parent company only) financial statements are presented below.

### CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

BALANCE SHEET
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1998 |
|---|---|
| ASSETS | |
| INVESTMENT IN CHARTER HOLDINGS | $2,147,379 |
| MEMBERS' EQUITY | |
| MEMBERS' EQUITY | $2,147,379 |

### CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM DECEMBER 24, 1998, THROUGH DECEMBER 31, 1998 |
|---|---|
| EQUITY IN LOSS OF CHARTER HOLDINGS | $ (5,277) |
| Net loss | $ (5,277) |

### CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

STATEMENT OF MEMBERS' EQUITY
(DOLLARS IN THOUSANDS)

| | |
|---|---|
| Balance, December 24, 1998 | $2,151,811 |
| Net loss | (5,277) |
| Stock option compensation | 845 |
| Balance, December 31, 1998 | $2,147,379 |

The investment in Charter Holdings is accounted for on the equity method. No statement of cash flows has been presented as CCHC (parent company only) had no cash flow activity.

## 13. SUBSEQUENT EVENTS:

Through April 19, 1999, the Company has entered into definitive agreements to purchase eight cable television companies, including a swap of cable television systems, for approximately $4.6 billion. The swap of cable television systems will be recorded at the fair value of the systems exchanged. The acquisitions are expected to close no later than March 31, 2000. The acquisitions will be accounted for using the purchase method of accounting, and accordingly, results of operations of the acquired businesses will be included in the financial statements from the dates of acquisitions.

In March 1999, concurrent with the issuance of $600.0 million 8.250% Senior Notes due 2007, $1.5 billion 8.625% Senior Notes due 2009 and $1.475 billion 9.920% Senior Discount Notes due 2011 (collectively, the "CCH Notes"), the Company extinguished substantially all 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 (the "CCO Credit Agreement") entered into by Charter Operating. The Company expects to record an extraordinary loss of approximately $8 million in conjunction with the extinguishment of substantially all long-term debt and the refinancing of its credit agreements.

The CCO Credit Agreement provides for two term facilities, one with a principal amount of $1.0 billion that matures September 2008 (Term A), and the other with the principal amount of $1.85 billion that matures on March 2009 (Term B). The CCO Credit Agreement also provides for a $1.25 billion revolving credit facility with a maturity date of September 2008. Amounts under the CCO Credit Agreement bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin up to 2.75%. 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. On March 17, 1999, the Company borrowed $1.75 billion under Term B and invested the excess cash of $1.0 billion in short-term investments.

Charter Communications Holdings Capital Corporation is a co-issuer of the CCH Notes and is a wholly owned finance subsidiary of Charter Holdings with no independent assets or operations.

In accordance with an employment agreement between Charter and the President and Chief Executive Officer of Charter and a related option agreement between CCHC and the President and Chief Executive Officer of Charter, 7,044,127 options to purchase 3% of the net equity value of CCHC were issued to the President and Chief Executive Officer of Charter. The options vest over a four year period from the date of grant and expire ten years from the date of grant.

In February 1999, the Company adopted an option plan providing for the grant of options to purchase up to an 10% of the aggregate equity value of the subsidiaries of CCHC as of February 1999. The option plan provides for grants of options to employees, and consultants of CCHC and its affiliates and consultants who provide services to CCHC. Options granted vest over five years from the date of grant. However, if there has not been a public offering of the equity interests of CCHC or an affiliate, vesting will occur only upon termination of employment for any reason, other than for cause or disability. 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.

Following the completion of an initial public offering by Charter Communications, Inc. membership units received upon exercise of the options will be automatically exchanged for shares of Class A common stock of CCI on a one-for-one basis. Options outstanding as of March 31, 1999, are as follows:

| | OPTIONS OUTSTANDING | | OPTIONS EXERCISABLE |
|---|---|---|---|
| EXERCISE PRICE | NUMBER OF OPTIONS | REMAINING CONTRACT LIFE (IN YEARS) | NUMBER OF OPTIONS |
| $20.00 | 16,095,008 | 9.8 | 1,761,032 |

The Company follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to account for the option plans. Stock option compensation expense of $845 has been recorded in the financial statements since the exercise price is less than the estimated fair value of the underlying membership interests on the date of grant. Estimated fair value was 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 accrued over the vesting period of each grant that varies from four to five years. As of March 31, 1999, deferred compensation remaining to be recognized in future periods totalled $143 million. Had compensation expense for the option plans been determined based on the fair value at the grant dates under the provisions of SFAS No. 123, the Company's net loss would have been $5.5 million for the period from December 24, 1998, through December 31, 1998. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 44.00%, risk free rate of 5.00%, and expected option lives of 10 years.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Charter Communications Holding Company, LLC:

We have audited the accompanying consolidated balance sheet of Charter Communications Holding Company, LLC and subsidiaries as of December 31, 1997, and the related consolidated statements of operations, shareholder's investment 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 Charter Communications Holding Company, LLC 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

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1997 |
|---|---|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | $ 626 |
| Accounts receivable, net of allowance for doubtful accounts of $52 | 579 |
| Prepaid expenses and other | 32 |
| Total current assets | 1,237 |
| INVESTMENT IN CABLE TELEVISION PROPERTIES: | |
| Property, plant and equipment | 25,530 |
| Franchises, net of accumulated amortization of $3,829 | 28,195 |
| | 53,725 |
| OTHER ASSETS | 849 |
| | $55,811 |
| LIABILITIES AND SHAREHOLDER'S INVESTMENT | |
| CURRENT LIABILITIES: | |
| Accounts payable and accrued expenses | $ 3,082 |
| Payables to manager of cable television systems -- related party | 114 |
| Total current liabilities | 3,196 |
| LONG-TERM DEBT | 41,500 |
| NOTE PAYABLE TO RELATED PARTY, including accrued interest | 13,090 |
| SHAREHOLDER'S INVESTMENT: | |
| Common stock, $.01 par value, 100 shares authorized, one issued and outstanding | -- |
| Paid-in capital | 5,900 |
| Accumulated deficit | (7,875) |
| Total shareholder's investment | (1,975) |
| | $55,811 |

The accompanying notes are an integral part of these consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM JANUARY 1, 1998, THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | YEAR ENDED DECEMBER 31 1996 |
|---|---|---|---|
| REVENUES | $ 49,731 | $18,867 | $14,881 |
| OPERATING EXPENSES: | | | |
| Operating costs | 18,751 | 9,157 | 5,888 |
| General and administrative | 7,201 | 2,610 | 2,235 |
| Depreciation and amortization | 16,864 | 6,103 | 4,593 |
| Corporate expense allocation -- related party | 6,176 | 566 | 446 |
| | 48,992 | 18,436 | 13,162 |
| Income from operations | 739 | 431 | 1,719 |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 44 | 41 | 20 |
| Interest expense | (17,277) | (5,120) | (4,415) |
| Other, net | (728) | 25 | (47) |
| | (17,961) | (5,054) | (4,442) |
| Net loss | $(17,222) | $(4,623) | $(2,723) |

The accompanying notes are an integral part of these consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S INVESTMENT
(DOLLARS IN THOUSANDS)

| | COMMON STOCK | PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL |
|---|---|---|---|---|
| BALANCE, December 31, 1995 | $-- | $ 1,500 | $ (529) | $ 971 |
| Capital contributions | -- | 4,400 | -- | 4,400 |
| Net loss | -- | -- | (2,723) | (2,723) |
| 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 HOLDING COMPANY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM JANUARY 1, 1998, THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | YEAR ENDED DECEMBER 31 1996 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (17,222) | $(4,623) | $ (2,723) |
| Adjustments to reconcile net loss to net cash provided by operating activities -- | | | |
| Depreciation and amortization | 16,864 | 6,103 | 4,593 |
| Loss on sale of cable television system | -- | 1,363 | -- |
| Amortization of debt issuance costs, debt discount and interest rate cap agreements | 267 | 123 | -- |
| (Gain) loss on disposal of property, plant and equipment | (14) | 130 | -- |
| Changes in assets and liabilities, net of effects from acquisitions -- | | | |
| Receivables, net | 10 | (227) | 6 |
| Prepaid expenses and other | (125) | 18 | 312 |
| Accounts payable and accrued expenses | 16,927 | 894 | 3,615 |
| Payables to manager of cable television systems | 5,288 | (153) | 160 |
| Other operating activities | 569 | -- | -- |
| Net cash provided by operating activities | 22,564 | 3,628 | 5,963 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property, plant and equipment | (15,364) | (7,880) | (5,894) |
| Payments for acquisitions, net of cash acquired | (167,484) | -- | (34,069) |
| Proceeds from sale of cable television system | -- | 12,528 | -- |
| Other investing activities | (486) | -- | 64 |
| Net cash provided by (used in) investing activities | (183,334) | 4,648 | (39,899) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Borrowings of long-term debt | 217,500 | 5,100 | 31,375 |
| Repayments of long-term debt | (60,200) | (13,375) | (1,000) |
| Capital contributions | 7,000 | -- | 4,400 |
| Payment of debt issuance costs | (3,487) | (12) | (638) |
| Net cash provided by (used in) financing activities | 160,813 | (8,287) | 34,137 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 43 | (11) | 201 |
| CASH AND CASH EQUIVALENTS, beginning of period | 626 | 637 | 436 |
| CASH AND CASH EQUIVALENTS, end of period | $ 669 | $ 626 | $ 637 |
| CASH PAID FOR INTEREST | $ 7,679 | $ 3,303 | $ 2,798 |

The accompanying notes are an integral part of these consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION

Charter Communications Holding Company, LLC (CCHC), a Delaware limited liability company, was formed in 1999 as a wholly owned subsidiary of Charter Investment, Inc. (Charter), formerly Charter Communications, Inc. Charter, through its wholly owned cable television operating subsidiary, Charter Communications Properties, LLC (CCP), commenced operations with the acquisition of a cable television system on September 30, 1995.

Effective December 23, 1998, through a series of transactions, Paul G. Allen acquired approximately 94% of Charter 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, Charter acquired 100% 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 from unrelated third parties for fair value. Charter 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 CarterComm Holdings and CCA Group are included in the financial statements of Charter Holdings from the date of acquisition. In February 1999, Charter transferred all of its cable television operating subsidiaries to a wholly owned subsidiary of Charter Communications Holdings, LLC (Charter Holdings), Charter Communications Operating, LLC (Charter Operating). Charter Holdings is a wholly owned subsidiary of CCHC. The transfer was accounted for as a reorganization of entities under common control similar to a pooling of interests.

The accompanying financial statements include the accounts of CCP, Charter's wholly owned cable operating subsidiary, representing the financial statements of CCHC and subsidiaries (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 prior to December 23, 1998.

As a result of the change in ownership of CCP, CharterComm Holdings and CCA Group, the Company has applied push-down accounting in the preparation of the consolidated financial statements effective December 23, 1998. Accordingly, the financial statements of the Company for periods ended on or before December 23, 1998, are presented on a different cost basis than the financial statements for the periods after December 23, 1998 (not presented herein), and are not comparable.

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 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, 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 Company shortened the useful lives from 10 years to 5 years of certain plant and equipment included in cable distribution systems associated with costs of new customer installations. As a result, additional depreciation of $550 was recorded during 1997. The estimated useful lives were shortened to be more reflective of average customer lives.

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. 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.

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 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. On a monthly basis, such fees are collected from the Company's customers and are periodically remitted to local franchises. Franchise fees collected and paid are reported as revenues.

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 designed for hedging purposes and are not held or issued for speculative purposes.

INCOME TAXES

The Company files a consolidated income tax return with Charter. Income taxes are allocated to the Company in accordance with the tax-sharing agreement between the Company and Charter.

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 Company acquired cable television systems for an aggregate purchase price, net of cash acquired, of $228,400, comprising $167,500 in cash and $60,900 in a note payable to Seller. The excess of cost of properties acquired over the amounts assigned to net tangible assets at the date of acquisition was $207,600 and is included in franchises.

In 1996, the Company acquired cable television systems for an aggregate purchase price, net of cash acquired, of $34,100. The excess of the cost of properties acquired over 2>the amounts assigned to net tangible assets at the date of acquisition was $24,300 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. The purchase prices were allocated to tangible and intangible assets based on estimated fair values at the acquisition dates.

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 DECEMBER 23, 1998 | YEAR ENDED 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 these transactions been completed as of the assumed date or which may be obtained in the future.

3. 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 $12,500. The sale of the Ft. Hood system resulted in a loss of $1,363, which is included in operating costs in the accompanying statement of operations for the year ended December 31, 1997.

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1997:

| | |
|---|---|
| Cable distribution systems | $29,061 |
| Land, buildings and leasehold improvements | 447 |
| Vehicles and equipment | 1,744 |
| | 31,252 |
| Less- Accumulated depreciation | (5,722) |
| | $25,530 |

For the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, depreciation expense was $6,249, $3,898 and $2,371, respectively.

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1997:

| | |
|---|---|
| Accrued interest | $ 292 |
| Capital expenditures | 562 |
| Franchise fees | 426 |
| Programming costs | 398 |
| Accounts payable | 298 |
| Other | 1,106 |
| | $3,082 |

6. LONG-TERM DEBT:

The Company maintained a revolving credit agreement (the "Old Credit Agreement") with a consortium of banks for borrowings up to $47,500, of which $41,500 was outstanding at December 31, 1997. In 1997, the Credit Agreement was amended to reflect the impact of the sale of a cable television system. The debt bears interest, at the Company's option, at rates based on the prime rate of the Bank of Montreal (the agent bank), or LIBOR, plus the applicable margin based upon the Company's leverage ratio at the time of the borrowings. The variable interest rates ranged from 7.44% to 7.63% at December 31, 1997.

In May 1998, the Company entered into a credit agreement (the "CCP Credit Agreement"), which provides for two term loan facilities, one with the principal amount of $60,000 that matures on June 30, 2006, and the other with the principal amount of $80,000 that matures on June 30, 2007. The CCP Credit Agreement also provides for a $90,000 revolving credit facility with a maturity date of June 30, 2006. Amounts under the CCP Credit Agreement bear interest at the LIBOR Rate or Base Rate, as defined, plus a margin of up to 2.88%.

Commencing March 31, 1999, and at the end of each quarter thereafter, available borrowings under the revolving credit facility shall be reduced on an annual basis by 3.5% in 1999, 7.0% in 2000, 9.0% in 2001, 10.5% in 2002 and 16.5% in 2003. Commencing March 31, 2000, and at the end of each quarter thereafter, available borrowings under the term loan shall be reduced on an annual basis by 6.0% in 2000, 8.0% in 2001, 11.0% in 2002 and 16.5% in 2003. Commencing March 31, 2000, and at the end of each quarter thereafter, available borrowings under the other term loan shall be reduced on an annual basis by 1.0% in 2000, 1.0% in 2001, 1.0% in 2002 and 1.0% in 2003.

The credit agreement requires the Company and/or its subsidiaries to comply with various financial and other covenants, including the maintenance of certain operating and financial ratios. This agreement also contains substantial limitations on, or prohibitions of, distributions, additional indebtedness, liens, asset sales and certain other items.

7. NOTE PAYABLE TO RELATED PARTY:

As of December 31, 1997, the Company holds a promissory note payable to CCT Holdings Corp., a company managed by Charter and acquired by Charter effective December 23, 1998. The promissory note bears interest at the rates paid by CCT Holdings Corp. on a note payable to a third party. Principal and interest are due on September 29, 2005.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

A summary of debt and the related interest rate hedge agreements at December 31, 1997, is as follows:

| | CARRYING VALUE | NOTIONAL AMOUNT | FAIR VALUE |
|---|---|---|---|
| Debt | | | |
| CCP Credit Agreement | $41,500 | $ -- | $41,500 |
| Interest Rate Hedge Agreements | | | |
| Caps | -- | 15,000 | -- |
| Collars | -- | 20,000 | (74) |

As the long-term debt under the credit agreements bears interest at current market rates, its carrying amount approximates market value 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. 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 financial position or results of operations.

9. INCOME TAXES:

At December 31, 1997, the Company had net operating loss carryforwards of $9,594, which if not used to reduce taxable income in future periods, expire in the years 2010 through 2012. As of December 31, 1997, the Company's deferred income tax assets were offset by valuation allowances and deferred income tax liabilities resulting primarily from differences in accounting for depreciation and amortization.

10. RELATED-PARTY TRANSACTIONS:

Charter 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, $220 and $131, respectively for the period from January 1, 1998, through December 23, 1998, and the years ended December 31, 1997 and 1996. All other costs incurred by Charter on behalf of the Company are expensed in the accompanying 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 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 $2,435 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.

The Company is charged a management fee based on percentages of revenues as stipulated in the management agreement between Charter and the Company. For the period from January 1, 1998, through December 23, 1998, and the years ended December 31, 1997 and 1996, the management fee charged to the Company approximated the corporate expenses incurred by Charter on behalf of the Company. Management fees currently payable of $114 are included in payables to manager of cable television systems -- related party as of December 31, 1997.

## 11. 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 years ended December 31, 1997 and 1996, were $278, $130 and $91, 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 years ended December 31, 1997 and 1996, was $421, $271 and $174, 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 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 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.

## 12. 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 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. The Company contributed $74, $29 and $22 for the period from January 1, 1998, through December 23, 1998, and for the years ended December 31, 1997 and 1996, respectively.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

APPRECIATION RIGHTS PLAN

Certain employees of Charter participate in the 1995 Charter Communications, Inc. Appreciation Rights Plan (the "Plan"). The Plan permits Charter 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 entitle the participants to receive payment, upon termination or change in control of Charter, of the excess of the unit value over the base value (defined as the appreciation value) for each vested unit. The unit value is based on Charter's adjusted equity, as defined in the Plan. Deferred compensation expense recorded by Charter is based on the appreciation value since the grant date and is being amortized over the vesting period.

As a result of the acquisition of Charter by Paul G. Allen, the Plan was terminated, all outstanding units became 100% vested and all amounts were paid by Charter in 1999. The cost of this plan was allocated to the Company based on the number of basic customers. Management 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, for the cost of this plan.

13. PARENT COMPANY ONLY FINANCIAL STATEMENTS

As a result of the limitations on and prohibitions of distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution to CCHC, the parent company. CCHC (parent company only) financial statements are presented below.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

BALANCE SHEET
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1997 |
|---|---|
| LIABILITIES | |
| INVESTMENT IN CHARTER HOLDINGS | $(1,975) |
| SHAREHOLDER'S INVESTMENT | |
| Common Stock | $ -- |
| Paid-in-capital | 5,900 |
| Accumulated deficit | (7,875) |
| | $(1,975) |

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM JANUARY 1, 1998 THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | 1996 |
|---|---|---|---|
| EQUITY IN LOSS OF CHARTER HOLDINGS | $(17,222) | $(4,623) | $(2,723) |
| Net loss | $(17,222) | $(4,623) | $(2,723) |

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (PARENT COMPANY ONLY)

STATEMENT OF SHAREHOLDER'S INVESTMENT
(DOLLARS IN THOUSANDS)

| | COMMON STOCK | PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL |
|---|---|---|---|---|
| BALANCE, December 31, 1995 | $-- | $ 1,500 | $ (529) | $ 971 |
| Capital Contribution | -- | 4,400 | -- | 4,400 |
| Net loss | -- | -- | (2,723) | (2,723) |
| 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 Contribution | -- | 10,800 | -- | 10,800 |
| Net loss | -- | -- | (17,222) | (17,222) |
| BALANCE, December 23, 1998 | $-- | $16,700 | $(25,097) | $ (8,397) |

The investment in Charter Holdings is accounted for on the equity method. No statement of cash flows has been presented as CCHC (parent company only) had no cash flow activity.

14. 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).

# 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)

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

| | DECEMBER 31, 1998 | DECEMBER 31, 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)

| | GENERAL PARTNERS | CLASS B LIMITED PARTNERS | MARCUS CABLE PROPERTIES, L.L.C. | VULCAN 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 acquired and selling costs | 401,432 | -- | 20,638 |
| Additions to property, plant and 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 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 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 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.

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.

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 |

(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.

On July 1, 1998, $4,500 face amount of the 14 1/4% Notes and $500 face amount of the 11 7/8% Notes were tendered for gross tender payments of $3,472 and $520 respectively. The payments resulted in a gain on the retirement of the debt of $753. On December 11, 1998, the 11 7/8% Notes were redeemed for a gross payment of $107,668, including accrued interest. The redemption resulted in a loss on the retirement of the debt of $9,059.

The 14 1/4% Notes, 13 1/2% Notes, 11 7/8% Debentures and Senior Credit Facility are all unsecured and require the Company 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.

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying and fair values of the Company's significant financial instruments as of December 31, 1998 and 1997 are as follows:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| Senior Credit Facility | $808,000 | $808,000 | $949,750 | $949,750 |
| 13 1/2% Notes | 383,236 | 418,629 | 336,304 | 381,418 |
| 14 1/4% Notes | 241,183 | 279,992 | 213,372 | 258,084 |
| 11 7/8% Debentures | -- | -- | 100,000 | 108,500 |

The carrying amount of the Senior Credit Facility approximates fair value as the outstanding borrowings bear interest at market rates. The fair values of the 14 1/4% Notes, 13 1/2% Notes, and 11 7/8% Debentures, are based on quoted market prices. The Company had interest rate swap agreements covering a notional amount of $500,000 at December 31, 1998 and 1997. The fair value of such swap agreements was ($5,761) at December 31, 1998.

The weighted average interest pay rate for the interest rate swap agreements was 5.7% at December 31, 1998, and 1997. Certain of these agreements allow for optional extension by the counterparty or for automatic extension in the event that one month LIBOR exceeds a stipulated rate on any monthly reset date. Approximately $100,000 notional amount included in the $500,000

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

notional amount described above is also modified by an interest rate cap agreement which resets monthly.

The notional amounts of the 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 values of the interest rate hedge agreements generally reflect 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 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.

(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.

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.

(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 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, THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | YEAR ENDED DECEMBER 31 1996 |
|---|---|---|---|
| REVENUES | $ 324,432 | $289,697 | $233,392 |
| EXPENSES: | | | |
| Operating costs | 135,705 | 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)

| | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED 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, THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | YEAR ENDED DECEMBER 31 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 |
| Deferred 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) | -- | -- |
| Capital contributions | -- | 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.

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. 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.

CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 |

CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 |

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%.

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.

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 VALUE | NOTIONAL AMOUNT | FAIR VALUE |
| DEBT | | | |
| Debt under credit agreements | $784,420 | $ -- | $784,420 |
| HC Crown Note (including accrued interest) | 118,919 | -- | 118,587 |
| Gaylord 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.

CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

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 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.

### 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.

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.

CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 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.

CCA GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 OPERATIONS
(DOLLARS IN THOUSANDS)

| | PERIOD FROM JANUARY 1, 1998, THROUGH DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31 1997 | YEAR ENDED DECEMBER 31 1996 |
|---|---|---|---|
| REVENUES | $196,801 | $175,591 | $120,280 |
| OPERATING EXPENSES: | | | |
| Operating costs | 83,745 | 75,728 | 50,970 |
| General and administrative | 14,586 | 12,607 | 9,327 |
| Depreciation and amortization | 86,741 | 76,535 | 53,133 |
| Management fees -- related party | 14,780 | 8,779 | 6,014 |
| | 199,852 | 173,649 | 119,444 |
| Income (loss) from operations | (3,051) | 1,942 | 836 |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 211 | 182 | 233 |
| Interest expense | (66,121) | (61,498) | (41,021) |
| Other, net | (1,895) | 17 | (468) |
| | (67,805) | (61,299) | (41,256) |
| Loss before extraordinary item | (70,856) | (59,357) | (40,420) |
| EXTRAORDINARY ITEM -- Loss on early retirement of debt | (6,264) | -- | -- |
| Net loss | (77,120) | (59,357) | (40,420) |
| REDEMPTION PREFERENCE ALLOCATION: | | | |
| Special Limited Partner units | -- | -- | (829) |
| Redeemable Preferred Limited units | -- | -- | (4,081) |
| NET LOSS ALLOCATED TO REDEEMABLE PREFERRED LIMITED UNITS | 20,128 | 2,553 | 4,063 |
| Net loss applicable to partners' capital accounts | $(56,992) | $(56,804) | $(41,267) |
| NET LOSS ALLOCATION TO PARTNERS' CAPITAL ACCOUNTS: | | | |
| General Partner | $(56,992) | $(21,708) | $(38,391) |
| Common Limited Partners | -- | (35,096) | (2,876) |
| | $(56,992) | $(56,804) | $(41,267) |

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)

| | GENERAL PARTNER | COMMON LIMITED 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 DECEMBER 23, 1998 | YEAR ENDED DECEMBER 31, 1997 | YEAR ENDED DECEMBER 31, 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 |

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

### 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.

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 |
| Net loss | (61,389) |

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.

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 | $ -- |

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 |

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 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.

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 VALUE | NOTIONAL AMOUNT | FAIR 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.

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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) |

CHARTERCOMM HOLDINGS, L.P.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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, 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 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 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 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 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 | SEPTEMBER 30, 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 | 77 | 103 |
| Total assets | $66,816 | $52,089 |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 7,125 | $ 5,299 |
| Customers' prepayments and deferred installation revenue | 1,910 | 1,815 |
| Total current liabilities | 9,035 | 7,114 |
| Other long-term liabilities | 3,650 | 3,920 |
| Net assets | 54,131 | 41,055 |
| 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)

| | NINE MONTHS ENDED JUNE 30, | | YEAR ENDED SEPTEMBER 30, | | |
|---|---|---|---|---|---|
| | 1999 | 1998 | 1998 | 1997 | 1996 |
| | (UNAUDITED) | | | | |
| NET REVENUES | $62,469 | $57,536 | $77,127 | $73,436 | $66,816 |
| OPERATING EXPENSES: | | | | | |
| Operating expenses | 26,248 | 24,262 | 32,665 | 31,115 | 29,460 |
| General and administrative | 9,150 | 8,282 | 10,869 | 11,211 | 10,321 |
| Corporate charges | 3,175 | 2,898 | 3,888 | 3,696 | 3,365 |
| Depreciation and amortization | 7,398 | 5,717 | 8,183 | 7,368 | 7,353 |
| | 45,971 | 41,159 | 55,605 | 53,390 | 50,499 |
| Income from operations | 16,498 | 16,377 | 21,522 | 20,046 | 16,317 |
| OTHER INCOME (EXPENSES): | | | | | |
| Interest expense, net | (705) | (308) | (504) | (307) | (764) |
| Other | (365) | 34 | (532) | (957) | (366) |
| INCOME BEFORE PROVISION IN LIEU OF INCOME TAXES | 15,428 | 16,103 | 20,486 | 18,782 | 15,187 |
| Provision in lieu of income taxes (Note 6) | 6,646 | 6,247 | 8,008 | 7,964 | 5,987 |
| Net income | $ 8,782 | $ 9,856 | $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)

| | NINE MONTHS ENDED JUNE 30, | | YEAR ENDED SEPTEMBER 30, | | |
|---|---|---|---|---|---|
| | 1999 | 1998 | 1998 | 1997 | 1996 |
| | (UNAUDITED) | | | | |
| Net income | $ 8,782 | $ 9,856 | $12,478 | $10,818 | $ 9,200 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Provision in lieu of income taxes | 6,646 | 6,247 | 8,008 | 7,964 | 5,987 |
| Depreciation and amortization | 7,398 | 5,717 | 8,183 | 7,368 | 7,353 |
| (Gain) loss on sale of fixed assets | 465 | 171 | 300 | 715 | 274 |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable, prepaid expenses and other assets | (1,431) | (4,045) | (813) | (1,115) | (498) |
| Other assets | 10 | 31 | 24 | (30) | (11) |
| Accounts payable and accrued expenses | (178) | 144 | 1,825 | (440) | (1,900) |
| Customers' prepayments and deferred installation revenue | 242 | (7) | 96 | 367 | 94 |
| Customers' deposits and deferred revenue | (24) | (174) | (270) | (69) | 466 |
| Net cash provided by operating activities | 21,910 | 17,940 | 29,831 | 25,578 | 20,965 |
| Cash flow from investing activities: | | | | | |
| Capital expenditures | (13,797) | (15,700) | (21,049) | (7,587) | (5,122) |
| Proceeds from disposition of property and equipment | -- | 250 | 72 | -- | 128 |
| Purchase of licenses | (512) | (49) | (1,044) | (99) | -- |
| Net cash used in investing activities | (14,309) | (15,499) | (22,021) | (7,686) | (4,994) |
| Cash flow from financing activities: | | | | | |
| Net payments to affiliates | (34) | (3,941) | (7,410) | (18,061) | (17,038) |
| Net increase (decrease) in cash and cash equivalents | 7,567 | (1,500) | 400 | (169) | (1,067) |
| Cash and cash equivalents, beginning of year | 4,080 | 3,680 | 3,680 | 3,849 | 4,916 |
| Cash and cash equivalents, end of year | $ 11,647 | $ 2,180 | $ 4,080 | $ 3,680 | $ 3,849 |
| Supplemental disclosure of cash flow information: | | | | | |
| Non-affiliate interest paid during the year | $ 264 | $ 42 | $ 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 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 |
|---|---|---|
| Franchise agreements | $3,230 | $2,883 |
| Customer lists | 1,751 | 1,751 |
| Organization 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 |
|---|---|---|
| Accounts payable | $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 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 lessor 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 |

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

GREATER MEDIA CABLEVISION SYSTEMS

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 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 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.

RENAISSANCE MEDIA GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS)

| | PAID IN CAPITAL | ACCUMULATED (DEFICIT) | TOTAL MEMBER'S 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.

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.

(ALL DOLLAR AMOUNTS IN THOUSANDS)

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. 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 |

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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 |

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

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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.

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

(ALL DOLLAR AMOUNTS IN THOUSANDS)

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.

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

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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(ALL DOLLAR AMOUNTS IN THOUSANDS)

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 PRINCIPAL AMOUNT | TERM | EFFECTIVE DATE | TERMINATION DATE | INITIAL CONTRACT COST | FIXED RATE (PAY RATE) |
|---|---|---|---|---|---|
| $100,000 | 2 years | 12/1/97 | 12/1/99 | $100 | 7.25% |

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 theses 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

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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.

(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.

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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. 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.

RENAISSANCE MEDIA GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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 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 parities 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 | 438 |
| Property, plant and equipment, net | 35,992 |
| Cable television franchises, net | 195,907 |
| Goodwill and other intangibles, net | 50,023 |
| Total assets | $282,943 |
| **LIABILITIES AND NET ASSETS** | |
| Accounts payable | $ 63 |
| Accrued programming expenses | 978 |
| Accrued franchise fees | 616 |
| 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.

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 | $ 1,358 |

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.)

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.

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).

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 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.

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

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:

| | 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 |
| | 46,022 |
| Less accumulated depreciation | (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

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)

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.

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.

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)

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 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).

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.

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:

| | 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 | DECEMBER 31, 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.

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.

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.

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.

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

PICAYUNE MS, LAFOURCHE LA, ST. TAMMANY LA, ST. LANDRY LA,
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NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

### 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 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 |
| STATE: | | | |
| 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 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).

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 $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.

7. OTHER LIABILITIES

Other liabilities consist of:

| | DECEMBER 31, | |
|---|---|---|
| | 1996 | 1997 |
| | (IN THOUSANDS) | |
| Compensation | $217 | $250 |
| Data Processing Costs | 100 | 90 |
| Sales 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.

# 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

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 | 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

| | PREFERRED LIMITED PARTNERS | GENERAL PARTNER (PARTNERS' DEFICIT) | CLASS A LIMITED PARTNERS (PARTNERS' DEFICIT) | CAPITAL CONTRIBUTION 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%.

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.

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 |

HELICON PARTNERS I, L.P. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 |

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.

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net is summarized as follows at December 31:

| | 1997 | 1998 | ESTIMATED USEFUL LIFE IN YEARS |
|---|---|---|---|
| Land | $ 121,689 | $ 320,689 | -- |
| Cable television system | 124,684,403 | 140,441,324 | 5 to 20 |
| Internet service equipment | 1,281,362 | 2,483,602 | 2 to 3 |
| Office furniture and fixtures | 677,672 | 728,253 | 5 and 10 |
| Vehicles | 3,536,358 | 4,570,990 | 3 and 5 |
| Building | 805,525 | 1,585,384 | 5 and 10 |
| Building and leasehold Improvements | 398,843 | 445,820 | 1 to 5 |
| Computers | 3,232,355 | 4,159,506 | 3 to 5 |
| | 134,738,207 | 154,735,568 | |
| Less accumulated depreciation | (54,633,830) | (67,997,988) | |
| | $ 80,104,377 | $ 86,737,580 | |

5. INTANGIBLE ASSETS AND DEFERRED COSTS

Intangible assets and deferred costs are summarized as follows at December 31:

| | 1997 | 1998 | ESTIMATED USEFUL LIFE IN YEARS |
|---|---|---|---|
| Covenants not-to-compete | $ 14,270,120 | $ 14,270,120 | 5 |
| Franchise agreements | 19,650,889 | 19,650,889 | 9 to 17 |
| Goodwill | 1,703,760 | 1,703,760 | 20 |
| Subscriber lists | 82,292,573 | 102,097,574 | 6 to 10 |
| Financing costs | 9,414,809 | 9,291,640 | 8 to 10 |
| Organization and other costs | 3,631,650 | 4,306,777 | 5 to 10 |
| | 130,963,801 | 151,320,760 | |
| Less accumulated amortization | (45,897,136) | (56,443,913) | |
| | $ 85,066,665 | $ 94,876,847 | |

6. 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.

The Partnership is managed by Helicon Corp., an affiliated management company. During 1996, 1997 and 1998, the Partnership was charged management fees of $2,103,077, $2,997,872, and $3,496,271, respectively. In 1997 and 1998, $2,685,172 and $3,231,362 of the management fees were paid and $312,700 and $172,476 were deferred, in accordance with the terms of the Partnership's credit agreements, respectively. Management fees are calculated based on the gross revenues of the systems. Additionally, during 1996, 1997 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. 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 counterpart 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 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.

Holders 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 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.

HELICON PARTNERS I, L.P. AND AFFILIATES

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.

# 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 December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. 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 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

San Francisco, California
April 20, 1999

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

COMBINED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| ASSETS | | |
| Accounts receivable, net of allowance for doubtful accounts of $899 and $680, respectively | $ 14,425 | $ 13,017 |
| Receivables from affiliates | 5,623 | 1,719 |
| Prepaid expenses | 423 | 626 |
| Other current assets | 350 | 245 |
| Total current assets | 20,821 | 15,607 |
| Intangible assets, net | 255,356 | 283,562 |
| Property and equipment, net | 218,465 | 179,681 |
| Deferred income taxes | 12,598 | 14,221 |
| Other non-current assets | 2,804 | 1,140 |
| Total assets | $510,044 | $494,211 |
| LIABILITIES AND EQUITY | | |
| Accounts payable and accrued liabilities | $ 19,230 | $ 20,934 |
| Deferred revenue | 11,104 | 8,938 |
| Payables to affiliates | 3,158 | 2,785 |
| Income taxes payable | | 285 |
| Total current liabilities | 33,492 | 32,942 |
| Note payable to InterMedia Partners IV, L.P. | 396,579 | 387,213 |
| Deferred channel launch revenue | 4,045 | 2,104 |
| Total liabilities | 434,116 | 422,259 |
| Commitments and contingencies | | |
| Mandatorily redeemable preferred shares | 14,184 | 13,239 |
| Equity | 61,744 | 58,713 |
| Total liabilities and equity | $510,044 | $494,211 |

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)

| | FOR THE YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 1998 | 1997 |
| REVENUES | | |
| Basic and cable services | $125,920 | $112,592 |
| Pay services | 23,975 | 24,467 |
| Other services | 26,167 | 25,519 |
| | 176,062 | 162,578 |
| COSTS AND EXPENSES | | |
| Program fees | 39,386 | 33,936 |
| Other direct expenses | 16,580 | 16,500 |
| Selling, general and administrative expenses | 30,787 | 29,181 |
| Management and consulting fees | 3,147 | 2,870 |
| Depreciation and amortization | 85,982 | 81,303 |
| | 175,882 | 163,790 |
| Profit/(loss) from operations | 180 | (1,212) |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (25,449) | (28,458) |
| Gain on sale/exchange of cable systems | 26,218 | 10,006 |
| Interest and other income | 341 | 429 |
| Other expense | (3,188) | (1,431) |
| | (2,078) | (19,454) |
| Loss before income tax benefit (expense) | (1,898) | (20,666) |
| Income tax benefit (expense) | (1,623) | 4,026 |
| NET LOSS | $ (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 December 31, 1996 | $ 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 |

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)

| | FOR THE YEAR ENDED DECEMBER 31, 1998 | 1997 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (3,521) | $(16,640) |
| Adjustments to reconcile net loss to cash flows from operating activities: | | |
| Depreciation and amortization | 85,982 | 81,303 |
| Loss and disposal of fixed assets | 3,177 | 504 |
| Gain on sale/exchange of cable systems | (26,218) | (10,006) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,395) | (2,846) |
| Receivables from affiliates | (3,904) | (639) |
| Prepaid expenses | 203 | (251) |
| Other current assets | (106) | (10) |
| Deferred income taxes | 1,623 | (4,311) |
| Other non-current assets | (517) | (58) |
| Accounts payable and accrued liabilities | (2,073) | 4,436 |
| Deferred revenue | 1,208 | 1,399 |
| Payables to affiliates | 373 | 469 |
| Accrued interest | 25,449 | 28,458 |
| Deferred channel launch revenue | 2,895 | 2,817 |
| Cash flows from operating activities | 83,176 | 84,625 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (72,673) | (87,253) |
| Sale/exchange of cable systems | (398) | 11,157 |
| Intangible assets | (372) | (506) |
| Cash flows from investing activities | (73,443) | (76,602) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net contributions from parent | 6,350 | 6,489 |
| Net repayment of borrowings | (16,083) | (14,512) |
| Cash flows from financing activities | (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").

Specifically, ICP-IV and its affiliates have agreed to sell certain of their cable television systems in Tennessee and Gainsville, Georgia through a combination of asset sales and the sale of its equity interests in RMG, and to exchange 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 will exchange 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 Charter Transactions are expected to close during the third or fourth quarter of 1999. 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 December 31, 1998 and 1997 and the results of their operations and their cash flows for the years then ended. 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 1997 and 1998. 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. Prior to January 1, 1998, InterMedia Capital Management IV, L.P. ("ICM-IV") provided such management and consulting services to ICP-IV. ICM and ICM-IV are limited partners of IP-I and ICP-IV, respectively. 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.

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 generated from operations, investing activities and financing activities have been included in the Systems' net contribution 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 is 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.

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 |

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 eighteen 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.

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)

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.

NEW ACCOUNTING PRONOUNCEMENT

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (FAS 130), which establishes standards for reporting and disclosure of comprehensive income and its components. FAS 130 is effective for fiscal years beginning after December 15, 1997 and requires reclassification of financial statements for earlier periods to be provided for comparative purposes. The Systems' total comprehensive loss for all periods presented herein did not differ from those amounts reported as net loss in the combined statement of operations.

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 |

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.

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 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:

| | DECEMBER 31, | |
|---|---|---|
| | 1998 | 1997 |
| Franchise rights | $ 332,157 | $302,308 |
| Goodwill | 58,505 | 58,772 |
| Other | 345 | 6,392 |
| | 391,007 | 367,472 |
| Accumulated amortization | (135,651) | (83,910) |
| | $ 255,356 | $283,562 |

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | DECEMBER 31, | |
|---|---|---|
| | 1998 | 1997 |
| Land | $ 1,068 | $ 1,898 |
| Cable television plant | 231,937 | 138,117 |
| Building and improvements | 5,063 | 4,657 |
| Furniture and fixtures | 3,170 | 2,009 |
| Equipment and other | 25,396 | 21,808 |
| Construction-in-progress | 18,065 | 49,791 |
| | 284,699 | 218,280 |
| Accumulated depreciation | (66,234) | (38,599) |
| | $218,465 | $179,681 |

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:

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| Accounts payable | $ 1,780 | $ 2,996 |
| Accrued program costs | 1,897 | 1,577 |
| Accrued franchise fees | 4,676 | 4,167 |
| Accrued copyright fees | 406 | 762 |
| Accrued capital expenditures | 5,215 | 5,179 |
| Accrued payroll costs | 1,784 | 1,789 |
| Accrued property and other taxes | 862 | 1,851 |
| Other accrued liabilities | 2,610 | 2,613 |
| | $19,230 | $20,934 |

7. NOTE PAYABLE TO INTERMEDIA PARTNERS IV, L.P.

RMG's note payable to IP-IV consists of the following:

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| Intercompany revolving credit facility, $1,200,000 commitment as of December 31, 1998, interest currently at 6.86% payable on maturity, matures December 31, 2006 | $396,579 | $387,213 |

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.

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 6.84% to 7.92% during 1998.

Charter has an obligation to assume and repay RMG's intercompany revolving credit facility pursuant to the Charter Transactions.

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. Effective October 20, 1997, pursuant to an amendment to the IP-IV Bank Facility, 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 vary on borrowings under the IP-IV Revolving Credit Facility 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. Prior to the amendment, interest rates on borrowings under the IP-IV Term Loan were at LIBOR plus 2.375% or ABR plus 1.125%; and, interest rates on borrowings under the IP-IV Revolving Credit Facility varied from LIBOR plus 0.75% to LIBOR plus 1.75% or ABR to ABR plus 0.50% 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.

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 December 31, 1998 and 1997, 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. Under the Agreements, upon consummation of the Charter Transactions, Charter has an obligation to redeem 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. Prior to January 1, 1998, ICM-IV provided such management services to ICP-IV. InterMedia's management fees for the years ended December 31, 1998 and 1997 amounted to $5,410, and $6,395, respectively, of which $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. During 1998 and 1997, IMI administrative fees charged to the Systems totaled $3,657 and $4,153, respectively. Receivable from affiliates at December 31, 1998 and 1997 includes $52 and $1,080, 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 Tele-Communications, Inc. ("TCI"). As affiliates of TCI, IP-I and ICP-IV are able to purchase programming services from a subsidiary of TCI. 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

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)

continue to be available in the future should TCI's ownership interest in InterMedia significantly decrease. Program fees charged by the TCI subsidiary to the Systems for the years ended December 31, 1998 and 1997 amounted to $30,884 and $26,815, respectively. Payable to affiliates includes programming fees payable to the TCI subsidiary of $2,918 and $2,335 at December 31, 1998 and 1997, respectively.

On January 1, 1998 an affiliate of TCI entered into agreements with InterMedia to manage the Systems' advertising business and related services for an annual fixed fee per advertising sales subscriber as defined by the agreements. In addition to the annual fixed fee TCI 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 TCI subsidiary for the year ended December 31, 1998 amount to $292. Receivable from affiliates at December 31, 1998 includes $3,437 of receivable from TCI 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 of inventories used in construction of cable plant at cost. Receivable from affiliates at December 31, 1998 and 1997 includes $2,134 and $639, respectively, of receivables from affiliated systems. Payable to affiliates at December 31, 1998 and 1997 includes $208 and $181, 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 1998, 1997 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.

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)

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 eighteen 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 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. 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. 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.

Under existing Tennessee laws and regulations, the Systems pay an Amusement Tax in the form of a sales tax on programming service revenues generated in Tennessee in excess of charges for the basic and expanded basic levels of service. Under the existing statute, only the service charges or fees in excess of the charges for the "basic cable" television service package are exempt from the Amusement Tax. Related regulations clarify the definition of basic cable to include two tiers of service, which InterMedia's management and other operators in Tennessee have interpreted to mean both the basic and expanded basic level of services.

The Tennessee Department of Revenue ("TDOR") has proposed legislation which would replace the Amusement Tax under the existing statute with a new sales tax on all cable service revenues in excess of twelve dollars per month. The new tax would be computed at a rate approximately equal to the existing effective tax rate.

Unless InterMedia and other cable operators in Tennessee support the proposed legislation, the TDOR has suggested that it would assess additional taxes on prior years' expanded basic service revenues. The TDOR can issue an assessment for prior periods up to three years. Management estimates that the amount of such an assessment for the Systems, if made for all

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)

periods not previously audited, would be approximately $5.4 million. InterMedia's management believes that it is possible but not likely that the TDOR can make such an assessment and prevail in defending it.

InterMedia's management believes it has made a valid interpretation of the current Tennessee statute and regulations and that it has properly determined and paid all sales taxes due. InterMedia further believes that the legislative history of the current statute and related regulations, as well as the TDOR's history of not making assessments based on audits of prior periods, support InterMedia's interpretation. InterMedia and other cable operators in Tennessee are aggressively defending their past practices on calculation and payment of the Amusement Tax and are discussing with the TDOR modifications to their proposed legislation which would clarify the statute and would minimize the impact of such legislation on the Systems' results of operations.

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 December 31, 1998 for the next five years and thereafter under non-cancelable operating leases related to the Systems are as follows:

| | |
|---|---|
| 1999 | $155 |
| 2000 | 144 |
| 2001 | 136 |
| 2002 | 35 |
| 2003 | 7 |
| | $477 |

Rent expense, including pole rental agreements, for the years ended December 31, 1998 and 1997 was $2,817 and $2,828, respectively.

12. INCOME TAXES

Income tax (expense) benefit consists of the following:

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| Current federal | $ -- | $ (285) |
| Deferred federal | (1,454) | 3,813 |
| Deferred state | (169) | 498 |
| | $(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)

Deferred income taxes relate to temporary differences as follows:

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| Property and equipment | $ (7,258) | $ (6,786) |
| Intangible assets | (12,930) | (8,336) |
| | (20,188) | (15,122) |
| Loss carryforward - federal | 31,547 | 29,058 |
| Loss carryforward - state | 297 | -- |
| Other | 942 | 285 |
| | $ 12,598 | $ 14,221 |

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 computed at the statutory federal rate and the tax (expense) benefit reported in the accompanying combined statements of operations is as follows:

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| Tax benefit at federal statutory rate | $ 626 | $ 4,454 |
| State taxes, net of federal benefit | 73 | 498 |
| Goodwill amortization | (2,309) | (2,056) |
| Realization of acquired tax benefit | -- | 346 |
| Other | (13) | 784 |
| | $(1,623) | $ 4,026 |

13. CHANNEL LAUNCH REVENUE

During the years ended December 31, 1998 and 1997, the Systems were credited $2,646 and $5,072, respectively, representing their share of payments received by IP-I and ICP-IV from certain programmers to launch and promote their new channels. Also, during 1998 the Systems recorded a receivable from a programmer, of which $1,791 remains outstanding at December 31, 1998, for the launch and promotion of its new channel. Of the total amount credited the Systems recognized advertising revenue of $586 and $1,182 during the year ended December 31, 1998

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)

and 1997, respectively, for advertisements provided by the Systems to promote the new channels. The remaining payments and receivable credited from the programmers are being amortized over the respective terms of the program agreements which range between five and ten years. For the years ended December 31, 1998 and 1997, the Systems amortized and recorded as other service revenue $956 and $894 respectively.

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 years ended December 31, 1998 and 1997 amounted to $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 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 PARTNER | LIMITED 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 |
| Loss on early retirement of debt | -- | -- | 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

RIFKIN CABLE INCOME PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 anew 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%.

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.

RIFKIN CABLE INCOME PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 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

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 | 13,757,090 | 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 | 91,938,324 | 74,955,332 |
| 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 | YEARS ENDED 12/31/97 | YEARS ENDED 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 | 37,213,576 | 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 isssuance 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 EQUITY INTEREST | GENERAL PARTNER | LIMITED PARTNERS | TOTAL |
|---|---|---|---|---|
| Partners' capital (deficit) at December 31, 1995 | $ 562,293 | $(1,085,311) | $ 69,421,043 | $ 68,898,025 |
| Partners' capital contributions | -- | 150,000 | 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 distribution | -- | (600) | (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. | - Cable Equities of Colorado, Ltd. (CEC) |
| - - - Cable Equities of Colorado Management Corp. (CEM) | - Cable Equities, Inc. (CEI) |
| | - Rifkin Acquisition Capital Corp. (RACC) |

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.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

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.

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).

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

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 SYSTEMS | TENNESSEE 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 | $1,418 | $47,463 | $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 | $1,418 | $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.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 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 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 SALE | TENNESSEE 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.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 12/31/98 | YEAR ENDED 12/31/97 | YEAR ENDED 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) |

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) |

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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, 1998 | DECEMBER 31, 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 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 (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.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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:

| PERIOD | TOTAL RENTAL EXPENSE | CANCELABLE POLE RENTAL 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 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 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.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

| BALANCE SHEET | 12/31/98 | 12/31/97 |
|---|---|---|
| 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) |

| STATEMENTS OF OPERATIONS | YEAR ENDED 12/31/98 | YEAR ENDED 12/31/97 | YEAR ENDED 12/31/96 |
|---|---|---|---|
| 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).

| | QUARTERS ENDED 1997 | | | |
|---|---|---|---|---|
| | MARCH 31 | JUNE 30 | SEPT. 30 | DEC. 31 |
| Revenue | $19,337 | $21,331 | $21,458 | $22,199 |
| Operating loss | (1,220) | (2,818) | (2,777) | (798) |
| 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 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 (PLEDGED) | | |
| 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 | 257,236 | 295,023 |
| Prepaid expenses and deposits | 172,614 | 152,575 |
| Property, plant and equipment, at cost: | | |
| Buildings | 78,740 | 91,682 |
| Transmission and distribution systems and related equipment | 10,174,650 | 11,336,892 |
| Office furniture and equipment | 144,137 | 161,327 |
| Spare parts and construction inventory | 435,554 | 742,022 |
| | 10,833,081 | 12,331,923 |
| Less accumulated depreciation | 7,624,570 | 8,008,158 |
| Net property, plant and equipment | 3,208,511 | 4,323,765 |
| Other assets, at cost less accumulated amortization (Note 3) | 5,817,422 | 5,083,029 |
| Total assets | $ 9,625,621 | $10,048,806 |
| LIABILITIES AND PARTNERS' DEFICIT | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 718,716 | $ 897,773 |
| Customer prepayments | 50,693 | 47,458 |
| Interest payable | 32,475 | -- |
| Long-term debt (Note 4) | 10,650,000 | -- |
| Interpartnership debt (Note 4) | -- | 9,606,630 |
| Total liabilities | 11,451,884 | 10,551,861 |
| Commitments (Notes 5 and 6) | | |
| Partners' deficit: | | |
| General partner | (66,418) | (20,106) |
| Limited partner | (1,759,845) | (482,949) |
| Total partners' deficit | (1,826,263) | (503,055) |
| 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 PARTNERS | LIMITED 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 | (270,000) | (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 | -- the term of the Partnership agreement (12 3/4 years) |
| Deferred loan costs | -- the term of the debt (1-6 years) |
| Organization costs | -- 5 years |

INDIANA CABLE ASSOCIATES, LTD.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

## 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%.

INDIANA CABLE ASSOCIATES, LTD.

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:

| PERIOD | TOTAL RENTAL 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 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 (PLEDGED) | | |
| 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 | $ 2,356,540 |
| Interest payable | 287,343 | -- |
| Customer prepayments | 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)

| | GENERAL PARTNERS | LIMITED PARTNERS | SPECIAL LIMITED 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

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.

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.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

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:

| PERIOD | TOTAL RENTAL 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 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

SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE 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
FOR THE 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

SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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. 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.

SONIC COMMUNICATIONS CABLE TELEVISION SYSTEMS

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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

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 | $(2,054,980) |

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, VOTING COMMON STOCK | SENIOR REDEEMABLE PREFERRED STOCK | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL STOCKHOLDER'S 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

LONG BEACH ACQUISITION CORP.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

years; organization costs which are amortized over five years and debt issuance costs which are amortized over ten years, the life of the loan.

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%.

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 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.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

| | SUCCESSOR | |
|---|---|---|
| | JUNE 30, 1999 | DECEMBER 31, 1998 |
| | (UNAUDITED) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 109,626 | $ 9,573 |
| Accounts receivable, net of allowance for doubtful accounts of $3,833 and $1,728, respectively | 32,487 | 15,108 |
| Prepaid expenses and other | 10,181 | 2,519 |
| Total current assets | 152,294 | 27,200 |
| INVESTMENT IN CABLE TELEVISION PROPERTIES: | | |
| Property, plant and equipment | 1,764,499 | 716,242 |
| Franchises | 6,591,972 | 3,590,054 |
| | 8,356,471 | 4,306,296 |
| OTHER ASSETS | 178,709 | 2,031 |
| | $8,687,474 | $4,335,527 |
| LIABILITIES AND MEMBER'S EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | $ -- | $ 10,450 |
| Accounts payable and accrued expenses | 273,987 | 127,586 |
| Payables to manager of cable television systems - related party | 4,741 | 4,334 |
| Total current liabilities | 278,728 | 142,370 |
| LONG-TERM DEBT | 5,134,310 | 1,991,756 |
| DEFERRED MANAGEMENT FEES - RELATED PARTY | 17,004 | 15,561 |
| OTHER LONG-TERM LIABILITIES | 53,310 | 38,461 |
| MEMBER'S EQUITY - 217,585,246 CLASS A UNITS ISSUED AND OUTSTANDING | 3,204,122 | 2,147,379 |
| | $8,687,474 | $4,335,527 |

The accompanying notes are an integral part of these condensed consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|
| | 1999 SUCCESSOR | 1998 PREDECESSOR |
| REVENUES | $ 468,993 | $15,129 |
| OPERATING EXPENSES: | | |
| Operating, general and administrative | 241,341 | 8,378 |
| Depreciation and amortization | 249,952 | 5,312 |
| Stock option compensation expense | 38,194 | -- |
| Corporate expense charges -- related party | 11,073 | 628 |
| | 540,560 | 14,318 |
| (Loss) income from operations | (71,567) | 811 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (157,669) | (5,618) |
| Interest income | 10,085 | 14 |
| Other, net | 2,840 | 3 |
| | (144,744) | (5,601) |
| Loss before extraordinary item | (216,311) | (4,790) |
| EXTRAORDINARY ITEM- Loss from early extinguishment of debt | 7,794 | -- |
| Net loss | $(224,105) | $(4,790) |

The accompanying notes are an integral part of these condensed consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|
| | 1999 SUCCESSOR | 1998 PREDECESSOR |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (224,105) | $ (4,790) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 249,952 | 5,312 |
| Stock option compensation expense | 38,194 | -- |
| Amortization of non-cash interest expense | 42,166 | 802 |
| Gain on disposal of property, plant and equipment | (1,806) | -- |
| Loss from early extinguishment of debt | 7,794 | -- |
| Changes in assets and liabilities, net of effects from acquisitions -- | | |
| Accounts receivable, net | 1,180 | (1,291) |
| Prepaid expenses and other | (282) | (78) |
| Accounts payable and accrued expenses | 19,384 | 10,068 |
| Payables to manager of cable television systems, including deferred management fees | 14,592 | 356 |
| Other operating activities | (1,245) | -- |
| Net cash provided by operating activities | 145,824 | 10,379 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (205,450) | (2,240) |
| Payments for acquisitions, net of cash required | (1,135,074) | (167,484) |
| Loan to Marcus Cable Holdings | (1,680,142) | -- |
| Other investing activities | (8,684) | -- |
| Net cash used in investing activities | (3,029,350) | (169,724) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of long-term debt | 5,129,188 | 201,200 |
| Repayments of long-term debt | (2,028,330) | (44,800) |
| Payments for debt issuance costs | (107,562) | (3,439) |
| Capital contributions | -- | 7,000 |
| Distributions | (9,717) | -- |
| Net cash provided by financing activities | 2,983,579 | 159,961 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 100,053 | 616 |
| CASH AND CASH EQUIVALENTS, beginning of period | 9,573 | 626 |
| CASH AND CASH EQUIVALENTS, end of period | $ 109,626 | $ 1,242 |
| CASH PAID FOR INTEREST | $ 91,672 | $ 3,518 |
| NON CASH TRANSACTION -- Transfer of net assets of Marcus Holdings to the Company (see Note 1) | $1,252,370 | -- |

The accompanying notes are an integral part of these condensed consolidated statements.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION

Charter Communications Holding Company, LLC (CCHC), a Delaware limited liability company, was formed in 1999 as a wholly owned subsidiary of Charter Investment, Inc. (Charter), formerly Charter Communications, Inc. Charter, through its wholly owned cable television operating subsidiary, Charter Communications Properties, LLC (CCP), commenced operations with the acquisition of a cable television system on September 30, 1995.

Effective December 23, 1998, through a series of transactions, Paul G. Allen acquired approximately 94% of Charter 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 acquired 100% 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 television operating companies, for $2.0 billion, excluding $1.8 billion in debt assumed from unrelated third parties for fair value. Charter 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 from the date of acquisition. In February 1999, Charter transferred all of its cable television operating subsidiaries to a wholly owned subsidiary of Charter Communication Holdings, LLC, (Charter Holdings), Charter Communications Operating, LLC (Charter Operating). Charter Holdings is a wholly owned subsidiary of CHCC. 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 CCP, CharterComm Holdings and CCA Group, CCHC has applied push-down accounting in the preparation of the consolidated financial statements. Accordingly, CCHC increased its members' equity by $2.2 billion to reflect the amounts paid by Paul G. Allen and Charter. 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. The allocation of the purchase price is based, in part, on preliminary information which is subject to adjustment upon obtaining complete appraisal and valuation information of intangible assets. The valuation information is expected to be finalized in the third quarter of 1999. Management believes that finalization of the purchase price will not have a material impact on the results of operations or financial position of CCHC.

On April 23, 1998, Paul G. Allen and a company controlled by Paul G. Allen, (the "Paul G. 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 31, 1999, Paul G. 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 Paul G. Allen obtained voting control of Marcus Cable. Accordingly, the results of operations of Marcus Cable have been included in the financial statements from April 1, 1999. The assets and liabilities of Marcus Cable have been recorded in the financial statements using historical carrying values reflected in the accounts of the Paul G. 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 Paul G. Allen Companies recorded the assets acquired and liabilities assumed of Marcus Cable based on their relative fair values.

The consolidated financial statements of CCHC include the accounts of Charter Operating and CCP, the accounts of CharterComm Holdings and CCA Group and their subsidiaries since December 23, 1998 (date acquired by Charter), and the accounts of Marcus since March 31, 1999, and are collectively referred to as the "Company" herein. All subsidiaries are wholly owned. All material intercompany transactions and balances have been eliminated.

As a result of the Paul Allen Transaction and application of push-down accounting, the financial information of the Company in the accompanying financial statements and notes thereto as of December 31, 1998, and June 30, 1999, and for the Successor Period (January 1, 1999, through June 30, 1999) is presented on a different cost basis than the financial information of the Company for the Predecessor Period (January 1, 1998, through June 30, 1998) and therefore, such information is not comparable.

The accompanying unaudited financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

2. RESPONSIBILITY FOR INTERIM FINANCIAL STATEMENTS:

The accompanying financial statements are unaudited; however, in the opinion of management, such statements include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements should be read in conjunction with the financial statements and notes thereto as of and for the period ended December 31, 1998. Interim results are not necessarily indicative of results for a full year.

3. ACQUISITIONS:

In addition to the Paul Allen Transaction and the acquisitions by Charter of CharterComm Holdings, CCA Group and Marcus Holdings, the Company acquired cable television systems for an aggregate purchase price, net of cash acquired, of $291,800 in 1998, and completed the sale of certain cable television systems for an aggregate sales price of $405,000 in 1998, all prior to December 24, 1998. Through June 30, 1999, the Company has acquired cable systems in three separate transactions for an aggregate purchase price, net of cash acquired of $1.1 billion, excluding debt assumed $111 million. The purchase price was allocated to assets acquired and liabilities assumed based on their relative far values, including amounts assigned to franchises of $1.1 billion. The allocation of the purchase price is based, in part, on preliminary information which is subject to adjustment upon obtaining complete valuation information. The valuation information is expected to be finalized by the first quarter of 2000. Management believes that finalization of the purchase price will not have a material impact on the results of operations or financial position of the Company.

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. The purchase prices were allocated to tangible and intangible assets based on estimated fair values at the acquisition dates.

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Unaudited pro forma operating results as though the acquisitions and dispositions discussed above, including the Paul Allen Transaction and the acquisition of Marcus Holdings, and the 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:

| | SIX MONTHS ENDED JUNE 30, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| Revenues | $ 669,228 | $ 615,916 |
| Loss from operations | (65,912) | (79,274) |
| Net loss | (251,731) | (264,336) |

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.

4. LONG-TERM DEBT:

Long-term debt consists of the following:

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| Charter: | | |
| Credit Agreements (including CCP, CCA Group and CharterComm Holdings) | $ -- | $1,726,500 |
| Senior Secured Discount Debentures | -- | 109,152 |
| 11 1/4% Senior Notes | -- | 125,000 |
| Marcus: | | |
| Senior Credit Facility | -- | -- |
| 13 1/2% Senior Subordinated Discount Notes | 1,010 | -- |
| 14 1/4% Senior Discount Notes | -- | -- |
| Charter Holdings: | | |
| 8.250% Senior Notes | 600,000 | -- |
| 8.625% Senior Notes | 1,500,000 | -- |
| 9.920% Senior Discount Notes | 1,475,000 | -- |
| CCO Credit Agreement | 2,025,000 | -- |
| Renaissance: | | |
| 10.0% Senior Discount Notes | 114,413 | -- |
| | 5,715,423 | 1,960,652 |
| Current maturities | -- | (10,450) |
| Unamortized net premium (discount) | (581,113) | 41,554 |
| | $5,134,310 | $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 "CCO Credit Agreement"). The excess of the amount paid over the carrying value of the Company's long-term debt was recorded as Extraordinary item -- loss on early extinguishment of debt in the accompanying statement of operations.

CCH NOTES

In March 1999, the Company issued \$600.0 million 8.250% Senior 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 \$905.6 million, (collectively with the 8.250% Senior Notes and the 8.625% Senior Notes, referred to as the "CCH Notes").

The 8.250% Senior Notes are not redeemable prior to maturity. Interest is payable semiannually 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 Company at amounts decreasing from 104.313% to 100% of par 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 semiannually 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 Company at amounts decreasing from 104.960% to 100% of accreted value beginning April 1, 2004. At any time prior to April 1, 2002, the Company 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. No interest will be payable until April 1, 2004. Thereafter, interest is payable semiannually 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 at a rate of 9.920% per year. The unamortized discount was \$543.4 million at June 30, 1999.

The CCH Notes rank equally with current and future unsecured and unsubordinated indebtedness (including trade payables of the Company). The Company is required to make an offer to purchase all of the CCH 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 as defined.

RENAISSANCE NOTES

In connection with the acquisition of Renaissance Media Group LLC (Renaissance) during the second quarter of 1999, the Company assumed \$163,175 principal amount of senior discount notes due 2008 (the "Renaissance Notes"). As a result of the change in control of Renaissance, the Company was required to make an offer to purchase the Renaissance Notes at 101% of their accreted value plus accrued interest. 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 principal amount for repurchase.

As of June 30, 1999, $114.4 million aggregate principal amount of Renaissance Notes with a carrying value of $82.7 million remains 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 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 Company may redeem up to 35% of the original principal amount at maturity with the proceeds of one or more sales of capital stock at 110% of their accreted value plus accrued interest on the redemption date, provided that after any such redemption, at least $106 million aggregate principal amount at maturity remains outstanding.

CCO CREDIT AGREEMENT

The CCO Credit Agreement provides for two term facilities, one with a principal amount of $1.0 billion that matures September 2008 (Term A), and the other with the principal amount of $1.85 billion that matures on March 2009 (Term B). The CCO Credit Agreement also provides for a $1.25 billion revolving credit facility with a maturity date of September 2008. Amounts under the CCO Credit Agreement bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin up to 2.75%. 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.

The indentures governing the debt agreements require the Company 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 CCHC, the parent company.

Based upon outstanding indebtedness at June 30, 1999, and the amortization of term and fund loans, and scheduled reductions in available borrowings of the revolving credit facility, aggregate future principal payments on the total borrowings under all debt agreements at June 30, 1999, are as follows:

| YEAR | AMOUNT |
|---|---|
| 2000 | $ -- |
| 2001 | -- |
| 2002 | 17,500 |
| 2003 | 17,500 |
| 2004 | 18,510 |
| Thereafter | 5,661,913 |
| | $5,715,423 |

5. RELATED-PARTY TRANSACTIONS:

The Company is charged a management fee equal to 3.5% percent of gross revenues payable quarterly. To the extent management fees charged to the Company are greater (less) than the corporate expenses incurred by Charter, the Company records a distribution to (capital contributions from) parent. For the six months ended June 30, 1999, the Company recorded a distribution of $9,717. As of June 30, 1999, management fees currently payable of $10,015.

6. STOCK OPTION PLAN

In accordance with an employment agreement between the President and Chief Executive Officer of Charter and a related option agreement between CCHC and the President and Chief Executive Officer, an option to purchase 3% of the equity value of CCHC, or 7,044,121 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, the Company adopted an option plan providing for the grant of options to purchase up to an aggregate of 10% of the equity value of CCHC. The option plan provides for grants of options to employees, officers and directors of CCHC and its affiliates and consultants who provide services to CCHC. Options granted vest over five years from the grant date. However, if there has not been a public offering of the equity interests of CCHC or an affiliate, vesting will occur only upon termination of employment for any reason, other than for cause or disability. 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.

Following the completion of an initial public offering by Charter Communications, Inc. membership units received upon exercise of the options will be automatically exchanged for shares of Class A common stock of CCI on a one-for-one basis.

Options outstanding as of June 30, 1999, are as follows:

| | OPTIONS OUTSTANDING | | | | OPTIONS EXERCISABLE |
|---|---|---|---|---|---|
| | NUMBER OF OPTIONS | EXERCISE PRICE | TOTAL DOLLARS | REMAINING CONTRACT LIFE (IN YEARS) | NUMBER OF OPTIONS |
| Outstanding as of January 1, 1999 | 7,044,127 | $ 20.00 | $140,882,540 | 9.4 | 1,761,032 |
| Granted: | | | | | |
| February 9, 1999 | 9,111,681 | 20.00 | 182,233,620 | | -- |
| April 5, 1999 | 473,000 | 20.73 | 9,805,290 | | -- |
| Cancelled | (90,600) | 20.00-20.73 | (1,833,754) | | -- |
| Outstanding as of June 30, 1999 | 16,538,208 | $ 20.02 | $331,087,696 | 9.5 | 1,761,032 |

The Company follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" to account for the option plans. Stock option compensation expense of $38.2 million has been recorded in the financial statements since the exercise prices are 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 accrued over the vesting period of each grant that varies from four to five years. As of June 30, 1999, deferred compensation remaining to be recognized in future periods totalled $126 million. Had compensation expense for the option plans been determined based on the fair value at the grant dates under the provisions of SFAS No. 123, the Company's net loss for the six months ended June 30, 1999, would have been $234.0 million. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 44.0%, risk free rate of 5.00%, and expected option lives of 10 years.

7. ACCOUNTING STANDARD NOT YET IMPLEMENTED:

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. We have not yet quantified the impact of adopting SFAS No. 133 on our consolidated financial statements nor have we determined the timing or method of our adoption of SFAS No. 133. However, SFAS No. 133 could increase volatility in earnings (losses).

8. SUBSEQUENT EVENT:

In the third and fourth quarters of 1999, the Company acquired cable television systems in five separate transactions, including an exchange of cable systems, for an aggregate purchase price of $3.1 billion. The exchange of cable television systems will be recorded at the fair value of the systems exchanged. The Company has also entered into definitive agreements to purchase additional cable television systems, for approximately $9.9 billion. The additional acquisitions are expected to close no later than March 31, 2000.

Pursuant to a membership interests purchase agreement, as amended, Vulcan Cable III, a company controlled by Paul G. Allen, contributed $500 million on August 10, 1999 to CCHC, contributed an additional $180.7 million in certain equity interests acquired in connection with the acquisition of Rifkin Acquisition Partners, L.L.L.P. and Interlink Communications Partners, LLP (Rifkin) in September 1999 and contributed $644.3 million in September 1999 to CCHC. All funds will be contributed by CCHC to Charter Holdings.

After the issuance of Class A common stock (IPO) by Charter Communications, Inc. and the completion of three acquisitions by CCHC, CCHC will have four separate classes of common membership units designated as Class A, Class B, Class C, and Class D and one class of preferred membership units designated as Class A. The Class A common membership units have been acquired by Charter Investment, Inc. and Vulcan Cable III Inc. Concurrently with the closing of the IPO, Charter Communications, Inc. will contribute the proceeds of the IPO to CCHC in exchange for the Class B common membership units. The Class C common membership units will be acquired by the sellers of Bresnan Communications Company Limited Partnership upon closing of that acquisition. The Class D common membership units may be acquired by the sellers of Falcon Communications, L.P. at their option as a portion of the purchase price upon closing of that transaction. Upon closing of the Rifkin acquisition, certain sellers received 133,312,118 Class A preferred membership units with an aggregate value of $133.3 million. Any matters that require voting will require the affirmative vote of the Class B common membership units. Charter Communications, Inc. will own all Class B common membership units immediately after the IPO and therefore will control CCHC.

MARCUS CABLE HOLDINGS, LLC, AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | THREE MONTHS ENDED MARCH 31 1999 | SIX MONTHS ENDED JUNE 30 1998 |
|---|---|---|
| REVENUES | $ 125,180 | $ 254,792 |
| OPERATING EXPENSES: | | |
| Operating costs | 45,309 | 98,031 |
| General and administrative | 23,675 | 39,289 |
| Transaction and severance costs | -- | 114,167 |
| Management fees | 4,381 | -- |
| Depreciation and amortization | 51,688 | 105,248 |
| | 125,053 | 356,735 |
| (Loss) income from operations | 127 | (101,943) |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (26,963) | (81,458) |
| Other, net | (158) | 43,662 |
| | (27,121) | (37,796) |
| Loss before extraordinary item | (26,994) | (139,739) |
| EXTRAORDINARY ITEM -- Loss from early extinguishment of debt | (107,978) | -- |
| Net loss | $(134,972) | $(139,739) |

The accompanying notes are an integral part of these consolidated statements.

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | THREE MONTHS ENDED MARCH 31, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (134,972) | $(139,739) |
| Adjustments to reconcile net loss to net cash provided by operating activities -- | | |
| Depreciation and amortization | 51,688 | 105,248 |
| Gain on sale of assets | -- | (43,662) |
| Loss from early extinguishment of debt | 107,978 | -- |
| Amortization of debt issuance costs, debt discount and interest rate cap agreements | 868 | 40,134 |
| Changes in assets and liabilities, net of effects from acquisitions -- | | |
| Receivables, net | 2,650 | (3,016) |
| Prepaid expenses and other | 2,882 | (2,630) |
| Accounts payable and accrued expenses | (13,170) | 12,830 |
| Other operating activities | 9,022 | (43) |
| Net cash used in operating activities | 26,946 | (30,878) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of cable systems | -- | (57,500) |
| Purchases of property, plant and equipment | (57,057) | (111,031) |
| Proceeds from sale of assets | -- | 64,564 |
| Other investing activities | -- | (42) |
| Net cash used in investing activities | (57,057) | (104,009) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of long-term debt | 38,768 | 51,500 |
| Repayments of long-term debt | (1,680,142) | -- |
| Loan from Charter Holdings | 1,680,142 | -- |
| Cash contributed by member | -- | 90,200 |
| Payments of debt issuance costs | -- | (99) |
| Payments of other long-term liabilities | -- | (463) |
| Net cash provided by financing activities | 38,768 | 141,138 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 8,657 | 6,251 |
| CASH AND CASH EQUIVALENTS, beginning of period | 813 | 1,607 |
| CASH AND CASH EQUIVALENTS, end of period | $ 9,470 | $ 7,858 |
| CASH PAID FOR INTEREST | $ 12,807 | $ 41,271 |

The accompanying notes are an integral part of these consolidated statements.

MARCUS CABLE HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION

Marcus Cable Holdings, LLC (MCHLLC) 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. 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 has operated its cable television systems primarily in Texas, Wisconsin, Indiana, California and Alabama.

The accompanying consolidated financial statements include the accounts of MCCLLC, which is the predecessor of MCHLLC, 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 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, 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 television operating subsidiaries of the Company were transferred to Charter Operating subsequent to the purchase of 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, during the fourth quarter of 1998. As of March 31, 1999, 85 employees and officers of the Company had been 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.

INTERIM FINANCIAL INFORMATION

The accompanying financial statements are unaudited; however, in the opinion of management, such statements include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements should be read in conjunction with the financial statements and notes thereto as of and for the period ended December 31, 1998. Interim results are not necessarily indicative of results for a full year.

2. ACQUISITIONS AND DISPOSITIONS

On April 1, 1998, the Company completed the acquisition of the Mountain Brook and Shelby Cable System form Mountain Brook and Shelby Cable for an aggregate purchase price of $57,500. The communities served by this system are adjacent to the Company's existing systems in the suburban Birmingham, Alabama area. As of the date of the acquisition, this system served approximately 23,000 basic customers. 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. No gains or losses were recognized on the sale of the cable television systems divested after the Vulcan Acquisition as such amounts are considered to be an adjustment of the purchase price allocation as these systems were designated as assets to be sold at the date of the Vulcan Acquisition.

3. LONG-TERM DEBT:

In March 1999, concurrent with the issuance of Senior Notes and Senior Discount Notes, the combined company (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 the Company and Charter with a new credit agreement entered into by a wholly owned subsidiary of the combined company. The excess of the amount paid over the carrying value of the Company's long-term debt was recorded as Extraordinary item -- loss on early extinguishment of debt in the accompanying statement of operations

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, the Company pays Charter an annual fee equal to 3% of the gross revenues of the cable system operations, plus expense. For the three months ended March 31, 1999, management fees under this agreement were $2,432. In connection with the transfer of the Company's operating subsidiaries to Charter Operating, the annual fee paid by the Company to Charter increased to 3.5%, plus expense.

Prior to 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. 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 three months ended March 31, 1999 and 1998, MCOC earned total management fees of $0 and $355, respectively.

5. ACCOUNTING STANDARD NOT YET IMPLEMENTED:

In June 1998, the Financial Accounting Standards Board (FASB) 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. In June 1999, the FASB issued SFAS No. 137 "Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 delays the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000 and thus the Company will adopt SFAS No. 133 at that time. 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).

RENAISSANCE MEDIA GROUP LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | FOUR MONTHS ENDED APRIL 30, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (IN THOUSANDS) (UNAUDITED) | |
| Revenues | $20,396 | $12,921 |
| Cost and expenses: | | |
| Operating, general and administrative | 9,382 | 6,658 |
| Depreciation and amortization | 8,912 | 5,457 |
| Operating income | 2,102 | 806 |
| Interest income | 122 | 60 |
| Interest expense | (6,321) | (4,389) |
| Loss before provision (benefit) for taxes | (4,097) | (3,523) |
| Provision (benefit) for taxes | (65) | 75 |
| Net loss | $(4,032) | $(3,598) |

See accompanying notes to condensed consolidated financial statements.

RENAISSANCE MEDIA GROUP LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | FOUR MONTHS ENDED APRIL 30, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (IN THOUSANDS) (UNAUDITED) | |
| Operating Activities: | | |
| Net loss | $(4,032) | $ (3,598) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,912 | 5,457 |
| Accretion on senior discount notes and non-cash interest expense | 3,850 | 2,300 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable, net | 298 | (1,422) |
| Prepaid expenses and other assets | (75) | (360) |
| Accounts payable and accrued expenses | (5,046) | 10,053 |
| Advances from affiliates | (135) | 104 |
| Net cash provided by operating activities | 3,772 | 12,534 |
| Investing Activities: | | |
| Acquisitions of cable systems | (2,770) | (309,500) |
| Escrow deposit | 150 | -- |
| Capital expenditures | (4,250) | (691) |
| Cable television franchises | -- | (1,235) |
| Other intangible assets | 16 | (490) |
| Net cash used in investing activities | (6,854) | (311,916) |
| Financing Activities: | | |
| Debt acquisition costs | -- | (8,343) |
| Repayments on bank debt | -- | (7,500) |
| Proceeds from bank debt | -- | 110,000 |
| Net proceeds from issuance of 10% senior discount notes | -- | 100,012 |
| Capital contributions | -- | 108,500 |
| Net cash provided by financing activities | -- | 302,669 |
| Net increase (decrease) in cash and cash equivalents | (3,082) | 3,287 |
| Cash and cash equivalents at beginning of period | 8,482 | -- |
| Cash and cash equivalents at end of period | $ 5,400 | $ 3,287 |
| Cash paid for interest | $ 4,210 | $ 312 |

See accompanying notes to condensed consolidated financial statements.

RENAISSANCE MEDIA GROUP LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT WHERE INDICATED)
(UNAUDITED)

1. ORGANIZATION

Renaissance Media Group LLC ("Group") was formed on March 13, 1998, by Renaissance Media Holdings LLC ("Holdings"). 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"). Louisiana and Tennessee acquired a 76% interest and 24% interest, respectively, in Renaissance Media LLC ("Media") from Morgan Stanley Capital Partners III, Inc. ("MSCP III") on February 13, 1998 for a nominal amount. As a result, Media became a subsidiary of Holdings. The transfer was accounted for as a reorganization of entities under common control similar to a pooling of interests since an entity affiliated with MSCP III had a controlling interest in Holdings. Group and its subsidiaries are collectively referred to as the "Company" herein. On April 9, 1998, the Company acquired six cable television systems (the "TWI Acquisition") from TWI Cable, Inc. a subsidiary of Time Warner Inc. ("Time Warner"). Prior to this Acquisition, the Company had no operations other than start-up related activities.

On February 23, 1999, Holdings, Charter Communications, Inc. (now known as Charter Investment, Inc. and referred to herein as "Charter") and Charter Communications, LLC ("CC LLC") executed a purchase agreement, providing for Holdings to sell and CC LLC to purchase, all the outstanding limited liability company membership interests in Group held by Holdings (the "Charter Transaction") subject to certain covenants and restrictions pending closing and satisfaction of certain conditions prior to closing. On April 30, 1999, the Charter Transaction was consummated for a purchase price of $459 million, consisting of $348 million in cash and $111 million in carrying value of debt assumed.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles. The interim financial statements are unaudited but include all adjustments, which are of normal recurring nature that the Company considers necessary for a fair presentation of the financial position and the results of operations and cash flows for such periods. Operating results of interim periods are not necessarily indicative of results for a full year.

Additional disclosures and information are included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

3. ACQUISITIONS:

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 AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. DEBT

Media maintained a credit agreement (the "Credit Agreement") with aggregate commitments under the Credit Agreement totaling $150,000, consisting of a $40,000 revolver, $60,000 Tranche A Term Loans and $50,000 Tranche B Term Loans. On April 30, 1999, in connection with the Charter Transaction all amounts outstanding, including accrued interest and fees, under the Credit Agreement were paid in full and the Credit Agreement was terminated.

The Charter Transaction resulted in a "change of control" of the Company. On May 28, 1999, in accordance with the terms and conditions of the indenture governing the 10% senior discount notes (the "Notes"), the Company made an offer (the "Purchase 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 Purchase Offer expired on June 23, 1999, and 48,737 notes ($1,000 face amount at maturity) were validly tendered. On June 28, 1999, CC LLC made a capital contribution in the amount of $34,205 enabling the Company to purchase the Notes.

The indenture governing the Notes limits cash payments by the Company to the sum of: i) the amount by which consolidated EBITDA (as defined) exceeds 130% of consolidated interest expense (as defined) determined on a cumulative basis, ii) capital contributions, and iii) an amount equal to the net reduction in investments (as defined). To the extent permitted by the indenture excess cash will be distributed to CC LLC, including repayments of borrowings under Charter Communications Operating, LLC's ("CCO") credit facility (the "CCO Credit Agreement").

The Company and all subsidiaries of CCO have guaranteed payment and performance by CCO of its obligations under the CCO Credit Agreement. In addition, Group and its wholly owned subsidiaries, and all subsidiaries of CCO have pledged their ownership interests as collateral to the CCO Credit Agreement.

5. RELATED PARTY TRANSACTIONS

In connection with the TWI Acquisition, Media entered into an agreement with Time Warner, pursuant to which Time Warner would manage the Company's programming in exchange for providing the Company access to certain Time Warner programming arrangements (the "Time Warner Agreement"). Management believes that these programming rates made available through its relationship with Time Warner are lower than the Company could obtain separately. Such volume rates are not available after the Charter Transaction.

For the four months ended April 30, 1999, the Company incurred $2,716 for programming services under this agreement. For the period from April 9, 1998 to June 30, 1998 the programming services incurred under this agreement were $1,300. In addition, the Company incurred programming costs of $958 and $1,000 for programming services owned directly or indirectly by Time Warner entities for the four months ended April 30, 1999 and for the period from April 9, 1998 to June 30, 1998, respectively.

In connection with the Charter Transaction, the Time Warner Agreement was terminated on April 30, 1999, and Media returned to Time Warner $650 in deferred marketing credits owed to program providers under the programming arrangements.

The Company has utilized the law firm of one of its board members for legal services related to the TWI Acquisition, financing agreements and various ongoing legal matters. These fees totaled approximately $154 and $-0- for the four months ended April 30, 1999 and for the period from April 9, 1998 to June 30, 1998, respectively.

Prior to the consummation of the TWI Acquisition, Media paid fees to six senior managers of the Company who are investors in the Company for services rendered relating to the Acquisition and the Credit Agreement. These fees totaled $287 for the period from April 9, 1998 to June 30, 1998 and were recorded as transaction and financing costs.

6. EMPLOYEE BENEFIT PLAN

Beginning April 9, 1998, the Company sponsored a defined contribution plan that covered substantially all employees (the "Plan"). The Plan provided for contributions from eligible employees up to 15% of their compensation subject to a maximum limit as determined by the Internal Revenue Service. The Company's contribution to the Plan was limited to 50% of each eligible employee's contribution up to 10% of his or her compensation. The Company had the right to change the amount of the Company's matching contribution percentage. The Company matching contributions totaled $54 for the four months ended April 30, 1999 and $32 for the period from April 9, 1998 to June 30, 1998.

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 (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.

HELICON PARTNERS I, L.P. AND AFFILIATES

UNAUDITED CONDENSED COMBINED BALANCE SHEET
JUNE 30, 1999

| | |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 6,894,228 |
| Receivables from subscribers | 1,858,977 |
| Prepaid expenses and other assets | 2,171,812 |
| Property, plant and equipment, net | 88,251,876 |
| Intangible assets and deferred costs, net | 92,775,247 |
| Due to affiliates, net | 5,886 |
| Total assets | $191,958,026 |
| LIABILITIES AND PARTNERS' DEFICIT | |
| Liabilities: | |
| Accounts payable | $ 2,598,003 |
| Accrued expenses | 7,190,566 |
| Subscriptions received in advance | 576,588 |
| Accrued interest | 3,922,490 |
| Due to principal owner | 5,000,000 |
| Senior secured notes | 115,000,000 |
| Loans payable to banks | 121,261,571 |
| Senior subordinated loans payable to banks | 12,000,000 |
| 12% subordinated notes, net of unamortized discount of $2,313,425 | 45,608,577 |
| Redeemable partnership interests | 21,162,288 |
| Other notes payable | 5,206,373 |
| Due to affiliates, net | -- |
| Total liabilities | 339,526,456 |
| Commitments | |
| Partners' deficit: | |
| Preferred limited partners | 9,089,226 |
| Accumulated partners' deficit | (156,656,656) |
| Less capital contribution receivable | (1,000) |
| Total partners' deficit | (147,568,430) |
| Total liabilities and partners' deficit | $191,958,026 |

See accompanying notes to unaudited condensed combined financial statements.

HELICON PARTNERS I, L.P. AND AFFILIATES

UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS
SIX-MONTH PERIODS ENDED JUNE 30,1998 AND 1999

| | 1998 | 1999 |
|---|---|---|
| Revenues | $ 37,208,700 | $ 42,956,363 |
| Operating expenses: | | |
| Operating expenses | 11,379,819 | 13,333,558 |
| General and administrative expenses | 6,274,221 | 6,991,885 |
| Marketing expenses | 1,531,302 | 1,746,092 |
| Depreciation and amortization | 11,772,187 | 13,583,647 |
| Management fee charged by affiliate | 1,578,472 | 2,147,812 |
| Corporate and other expenses | 192,155 | 4,855,873 |
| Total operating expenses | 32,728,156 | 42,658,867 |
| Operating income | 4,480,544 | 297,496 |
| Interest expense | (13,808,274) | (15,831,274) |
| Interest income | 49,515 | 104,794 |
| | (13,758,759) | (15,726,480) |
| Net loss | $ (9,278,215) | $(15,428,984) |

See accompanying notes to unaudited condensed combined financial statements.

HELICON PARTNERS I, L.P. AND AFFILIATES

UNAUDITED CONDENSED COMBINED STATEMENTS OF
CHANGES IN PARTNERS' DEFICIT
SIX-MONTH PERIOD ENDED JUNE 30, 1999

| | PREFERRED LIMITED PARTNERS | PARTNERS' DEFICIT GENERAL PARTNER | CLASS A LIMITED PARTNERS | CAPITAL CONTRIBUTION RECEIVABLE | TOTAL |
|---|---|---|---|---|---|
| Balance at December 31, 1998 | $8,567,467 | $ (989,962) | $(134,807,570) | $(1,000) | $(127,231,065) |
| Distribution of additional preferred partnership interests | 521,759 | (5,218) | (516,541) | -- | -- |
| Accretion of redeemable partnership interests | -- | (49,084) | (4,859,297) | -- | (4,908,381) |
| Net loss | -- | (154,290) | (15,274,694) | -- | (15,428,984) |
| Balance at June 30, 1999 | $9,089,226 | $(1,198,554) | $(155,458,102) | $(1,000) | $(147,568,430) |

See accompanying notes to unaudited condensed combined financial statements.

HELICON PARTNERS I, L.P. AND AFFILIATES

UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS
SIX-MONTH PERIODS ENDED JUNE 30, 1998 AND 1999

| | 1998 | 1999 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $(9,278,215) | $(15,428,984) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,772,187 | 13,583,647 |
| Amortization of debt discount and deferred financing costs | 460,010 | 483,210 |
| Gain on sale of equipment | (1,498) | (10,603) |
| Interest on 12% subordinated notes paid through the issuance of additional notes | 2,408,370 | 2,706,044 |
| Change in operating assets and liabilities: | | |
| Increase in receivables from subscribers | (162,393) | (200,619) |
| (Increase) decrease in prepaid expenses and other assets | (645,035) | 1,300,771 |
| Increase in financing costs incurred | -- | -- |
| (Decrease) increase in accounts payable and accrued expenses | (2,396,567) | 104,941 |
| Decrease in subscriptions received in advance | (144,134) | (242,975) |
| Increase in accrued interest | 141,755 | 180,036 |
| Total adjustments | 11,432,695 | 17,904,452 |
| Net cash provided by operating activities | 2,154,480 | 2,475,468 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (4,575,109) | (6,127,185) |
| Proceeds from sale of equipment | 91,128 | 20,355 |
| Cash paid for net assets of cable television systems acquired | -- | (6,217,143) |
| Increase in intangible assets | (69,325) | (238,202) |
| Net cash used in investing activities | (4,553,306) | (12,562,175) |
| Cash flows from financing activities: | | |
| Proceeds from bank loans | 3,000,000 | 13,000,000 |
| Repayment of bank loans | (4,834) | (5,351) |
| Repayment of other notes payable | (574,499) | (651,346) |
| Advances to affiliates | (3,356,074) | (5,535,838) |
| Repayments of advances to affiliates | 3,309,008 | 5,282,910 |
| Payment of financing costs | -- | (240,000) |
| Net cash provided by financing activities | 2,373,601 | 11,850,375 |
| Net (decrease) increase in cash and cash equivalents | (25,225) | 1,763,668 |
| Cash and cash equivalents at beginning of period | 4,372,281 | 5,130,561 |
| Cash and cash equivalents at end of period | $ 4,347,056 | $ 6,894,229 |
| Supplemental cash flow information: | | |
| Interest paid | $10,798,139 | $ 12,461,977 |
| Other non-cash items: | | |
| Acquisition of property, plant and equipment through issuance of other notes payable | $ 501,502 | $ 389,223 |

See accompanying notes to unaudited condensed combined financial statements.

HELICON PARTNERS I, L.P AND AFFILIATES

NOTES TO UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS
JUNE 30, 1999

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. ("Baum") 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 owns a 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. The Partnership, THGLP, HPIAC and HOL are referred to collectively herein as the Company.

The Partnership operates in one business segment offering cable television services in the states of Pennsylvania, West Virginia, North Carolina, South Carolina, Louisiana, Vermont and New Hampshire, Georgia and Tennessee. The Company also offers to customers advanced services, such as paging, cable modems and private data network systems under the name of "Helicon Network Solutions", as well as, dial up internet service in Pennsylvania and Vermont under the name of "Helicon OnLine".

On July 30, 1999, Charter-Helicon, LLC ("Charter-Helicon"), acquired a 1% interest in THGLP previously owned by Baum Investments, Inc. 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. Effective with this change of ownership, the Company will be managed by Charter Investment, Inc.

In the opinion of management, the accompanying unaudited condensed combined financial statements of the Partnership reflect all adjustments, consisting of normal recurring accruals, necessary to present fairly the Partnership's combined financial position as of June 30, 1999, and their results of operations and cash flows for the three-month periods ended June 30, 1998 and 1999. The results of operations for the three-month period ended June 30, 1999 are not necessarily indicative of the results for a full year.

2. ACQUISITIONS

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.

On January 7, 1999, THGLP acquired the cable television systems, serving approximately 4,350 (unaudited) subscribers in the North Carolina counties of Carter, Johnson and Unicol. The aggregate purchase price was approximately $5,228,097 and was allocated to the net assets acquired, which included property and equipment and intangible assets.

On March 1, 1999, HPIAC acquired a cable television system serving approximately 551 (unaudited) subscribers in the communities of Abbeville, Donalds and Due West, South Carolina. The aggregate purchase price was approximately $723,356 and was allocated to the net assets acquired, which included property, equipment and intangible assets, based on their estimated fair value.

On April 6, 1999, the HPIAC acquired a cable television system serving approximately 314 (unaudited) subscribers in the communities of Mentone and part of DeKalb, Alabama. The aggregate purchase price was approximately $265,690 and was allocated to the net assets acquired, which included property, equipment and intangible assets, based on their estimated fair value.

The operating results relating to the above acquisitions, effective with their acquisition dates, are included in the accompanying unaudited condensed combined financial statements.

3. 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"). The Facility is non-amortizing and is due January 5, 2003. Initial borrowings of $7,000,000 under this Facility financed the acquisition of certain cable television assets in North Carolina. On February 19, 1999, the Company borrowed the remaining $5,000,000 available under the 1999 Credit Facility. Interest on the $12,000,000 is payable at 11.5% per annum.

# INTERMEDIA CABLE SYSTEMS
## (COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND INTERMEDIA CAPITAL PARTNERS IV, L.P.)

## COMBINED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| ASSETS | | |
| Accounts receivable, net of allowance for doubtful accounts of $1,417 and $899, respectively | $ 16,009 | $ 14,425 |
| Receivable from affiliates | 5,250 | 5,623 |
| Prepaid expenses | 487 | 423 |
| Other current assets | 232 | 350 |
| Total current assets | 21,978 | 20,821 |
| Intangible assets, net | 226,040 | 255,356 |
| Property and equipment, net | 231,382 | 218,465 |
| Deferred income taxes | 15,288 | 12,598 |
| Investments and other non-current assets | 5,535 | 2,804 |
| Total assets | $500,223 | $510,044 |
| LIABILITIES AND EQUITY | | |
| Accounts payable and accrued liabilities | $ 19,874 | $ 19,230 |
| Deferred revenue | 11,778 | 11,104 |
| Payable to affiliates | 4,607 | 3,158 |
| Total current liabilities | 36,259 | 33,492 |
| Note payable to InterMedia Partners IV, L.P. | 414,493 | 396,579 |
| Deferred channel launch revenue | 3,492 | 4,045 |
| Total liabilities | 454,244 | 434,116 |
| Commitments and contingencies | | |
| Mandatorily redeemable preferred shares | 14,676 | 14,184 |
| Equity | 31,303 | 61,744 |
| Total liabilities and equity | $500,223 | $510,044 |

See accompanying notes to the condensed 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)

| | SIX MONTHS ENDED JUNE 30, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| REVENUES | | |
| Basic and cable services | $ 69,705 | $ 61,679 |
| Pay service | 13,606 | 11,934 |
| Other service | 17,333 | 12,247 |
| | 100,644 | 85,860 |
| COSTS AND EXPENSES | | |
| Program fees | 23,530 | 19,186 |
| Other direct expenses | 10,055 | 8,253 |
| Selling, general and administrative expenses | 21,663 | 15,752 |
| Management and consulting fees | 1,566 | 1,562 |
| Depreciation and amortization | 52,309 | 41,413 |
| | 109,123 | 86,166 |
| (Loss) income from operations | (8,479) | (306) |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (11,757) | (13,440) |
| Interest and other income | 163 | 137 |
| Other expense | (6) | (24) |
| | (11,600) | (13,327) |
| Loss before income tax benefit | (20,079) | (13,633) |
| Income tax benefit | 2,690 | 2,689 |
| Net loss | (17,389) | (10,944) |
| OTHER COMPREHENSIVE INCOME | | |
| Unrealized loss on available-for-sale securities | (310) | -- |
| Comprehensive loss | $ (17,699) | $(10,944) |

See accompanying notes to the condensed 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, 1998 | $ 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 (unaudited) | (17,389) |
| Accretion for mandatorily redeemable preferred shares (unaudited) | (492) |
| Net cash distributions to parent (unaudited) | (12,250) |
| Other comprehensive income (unaudited) | (310) |
| Balance at June 30, 1999 (unaudited) | $ 31,303 |

See accompanying notes to the condensed 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)

| | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 1999 | 1998 |
| | (UNAUDITED) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $(17,389) | $(10,944) |
| Adjustments to reconcile net loss to cash flows from operating activities: | | |
| Depreciation and amortization | 52,309 | 41,413 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,584) | (398) |
| Receivables from affiliates | 373 | (1,794) |
| Prepaid expenses | (64) | 49 |
| Other current assets | 118 | 28 |
| Deferred income taxes | (2,690) | (2,689) |
| Investments and other non-current assets | (3,041) | 148 |
| Accounts payable and accrued liabilities | 2,487 | (3,406) |
| Deferred revenue | 957 | 1,248 |
| Payables to affiliates | 1,449 | (187) |
| Accrued interest | 11,757 | 13,440 |
| Deferred channel launch revenue | (836) | (350) |
| Cash flows from operating activities | 43,846 | 36,558 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (37,441) | (36,576) |
| Intangible assets | (312) | (333) |
| Cash flows from investing activities | (37,753) | (36,909) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net (distributions) contributions to/from parent | (12,250) | 6,768 |
| Net borrowings (repayments) of intercompany debt | 6,157 | (6,417) |
| Cash flows from financing activities | (6,093) | 351 |
| Net change in cash | -- | -- |
| Cash at beginning of period | -- | -- |
| Cash at end of period | $ -- | $ -- |

See accompanying notes to the condensed combined financial statements.

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

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").

Specifically, ICP-IV and its affiliates have agreed to sell 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 to exchange 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 will exchange 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 Charter Transactions are expected to close during the third or fourth quarter of 1999. 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 Systems being sold or exchanged do not individually or collectively comprise a separate legal entity. Accordingly, the accompanying condensed combined financial statements have been carved-out from the historical accounting records of InterMedia.

The accompanying unaudited interim condensed combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, certain footnote disclosures have been condensed or omitted. In the management's opinion, the interim unaudited condensed combined financial statements reflect all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the Systems' financial position as of June 30, 1999, and their results of operations for the six months ended June 30, 1999 and 1998 and cash flows for the six months ended June 30, 1999 and 1998. The results of operations for these periods are not necessarily indicative of results that may be expected for the year ending December 31, 1999. These condensed combined financial statements should be read in conjunction with the Systems' audited combined financial statements and notes thereto for the year ended December 31, 1998 contained elsewhere in this document.

CARVE-OUT METHODOLOGY

Throughout the periods covered by the condensed 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

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS -- CONTINUED
(DOLLARS IN THOUSANDS)
(UNAUDITED)

the Marion, North Carolina and western Tennessee systems throughout 1998 and 1999. For purposes of carving out and excluding the results of operations and financial position of the Excluded Systems from the condensed 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 pursuant to a management agreement 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.

As more fully described in Note 4 -- "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 is 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 3 -- "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 generated 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 condensed combined financial statements present only the debt and related interest expense of RMG, which is to be assumed and repaid by Charter pursuant to the Charter Transactions. See Note 3 -- "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 condensed combined financial statements are not representative of the debt that would be required or interest expense incurred if the InterMedia Cable Systems were a separate legal entity.

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS -- CONTINUED
(DOLLARS IN THOUSANDS)
(UNAUDITED)

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.

2. EXCHANGE OF CABLE PROPERTIES

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 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.

3. NOTE PAYABLE TO INTERMEDIA PARTNERS IV, L.P.

RMG's note payable to IP-IV consists of the following:

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| Intercompany revolving credit facility, $1,200,000 commitment as of June 30, 1999, interest currently at 6.57% payable on maturity, matures December 31, 2006 | $414,493 | $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 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.

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 6.24% to 6.84% during the six months ended June 30, 1999.

Charter has an obligation to assume and repay RMG's intercompany revolving credit facility pursuant to the Charter Transactions.

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS -- CONTINUED
(DOLLARS IN THOUSANDS)
(UNAUDITED)

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.

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.

4. 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 were $2,706 for the six months ended June 30, 1999 and 1998. Of the fees charged to InterMedia, $1,566 and $1,562 were charged to the Systems for the six months ended June 30, 1999 and 1998, respectively.

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. Administrative fees charged by IMI were $2,009 and $2,070 for the six months ended June 30, 1999 and 1998, respectively. Receivable from affiliates at June 30, 1999 and December 31, 1998 include $45 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. Programming fees charged by the AT&TBIS subsidiary to the Systems for the six months ended June 30, 1999 and 1998 amounted to $17,276 and $14,399, respectively. Payable to affiliates includes programming fees payable to the AT&TBIS subsidiary of $3,151 and $2,918 at June 30, 1999 and December 31, 1998, respectively.

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 fee 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

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS -- CONTINUED
(DOLLARS IN THOUSANDS)
(UNAUDITED)

from advertising sales above specified targets. Management fees charged by the AT&TBIS subsidiary for the six months ended June 30, 1999 amounted to $202. Receivable from affiliates at June 30, 1999 and December 31, 1998 includes $5,069 and $3,437, respectively, of receivables 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. Receivable from affiliates at June 30, 1999 and December 31, 1998 include $136 and $2,134, respectively, of receivables from affiliated systems. Payable to affiliates at June 30, 1999 and December 31, 1998 includes $1,410 and $208, respectively, of payables to affiliated systems.

5. COMMITMENTS AND CONTINGENCIES

The Systems are committed to provide cable television services under franchise agreements with remaining terms of up to twenty years. Franchise fees of up to 5% of gross revenues are payable under these agreements.

Current Federal Communications Commission ("FCC") regulations require that cable television operators obtain permission to retransmit major network and certain local television station signals. The Systems have entered into retransmission agreements with all applicable stations in exchange for in-kind and/or other consideration.

InterMedia has been named in several certified class actions in various jurisdictions concerning its 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. Plaintiffs generally allege that the late fees charged by InterMedia's cable 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 late payment. 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.

Under existing Tennessee laws and regulations, the Systems paid an Amusement Tax in the form of a sales tax on programming service revenues generated in Tennessee in excess of charges for the basic and expanded basic levels of service. Under the existing statute, only the service charges or fees in excess of the charges for the "basic cable" television service package were not exempt from the Amusement Tax. Related regulations clarify the definition of basic cable to include two tiers of service, which InterMedia's management and other operators in Tennessee have interpreted to mean both the basic and expanded basic levels of service.

In the Spring of 1999 Tennessee Department of Revenue ("TDOR") proposed legislation that was passed by the Tennessee State Legislature which replaced the current Amusement Tax

INTERMEDIA CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF INTERMEDIA PARTNERS AND
INTERMEDIA CAPITAL PARTNERS IV, L.P.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS -- CONTINUED
(DOLLARS IN THOUSANDS)
(UNAUDITED)

with a new sales tax on all cable service revenues in excess of fifteen dollars per month effective September 1, 1999. The new tax would be computed at a rate approximately equal to the existing effective tax rate.

Prior to the passage of the new sales tax legislation, the TDOR suggested that unless InterMedia and other cable operators in Tennessee support the proposed legislation, it would assess additional taxes on prior years' expanded basic service revenue. The TDOR can issue an assessment for prior periods up to three years. Management estimates that the amount of such an assessment, if made for all periods not previously audited, would be approximately $5.4 million. InterMedia's management believes that it is possible but not likely that the TDOR can make such an assessment and prevail in defending it. Management also believes that such an assessment is not likely based on the passage of the new sales tax legislation.

InterMedia's management believes it has made a valid interpretation of the current Tennessee statute and regulations and that it has properly determined and paid all sales tax due. InterMedia further believes that the legislative history of the current statute and related regulations, as well as the TDOR's history of not making assessments based on audits of prior periods, support InterMedia's interpretation. InterMedia and other cable operators in Tennessee are aggressively defending their past practices on calculation and payment of the Amusement Tax.

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 adverse effect on the Systems' financial position or results of operations.

6. 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 $333 during the six months ended June 30, 1999 for advertisements provided by the Systems to promote the new channels. No advertising revenue was recognized for the six-month period ended June 30, 1998 related to the promotion of these new channels. The remaining amounts credited to the Systems are being amortized over the respective terms of the program agreements which range between five and ten years. The Systems amortized and recorded as other service revenues of $316 and $350 for the six months ended June 30, 1999 and 1998, respectively.

7. SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Total accretion on RMG's Redeemable Preferred Stock for the six months ended June 30, 1999 and 1998 amounted to $492 and $459, respectively.

RIFKIN CABLE INCOME PARTNERS L. P.

BALANCE SHEET
(UNAUDITED)

| | 12/31/98 | 6/30/99 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 65,699 | $ 43,982 |
| Customer accounts receivable, net of allowance for doubtful accounts of $18,278 in 1998 and $12,047 in 1999 | 51,523 | 47,580 |
| Other receivables | 133,278 | 72,684 |
| Prepaid expenses and deposits | 70,675 | 22,997 |
| Property, plant and equipment, at cost: | | |
| Cable television transmission and distribution system and related equipment | 8,758,525 | 11,051,767 |
| Land, buildings, vehicles and furniture and fixtures | 623,281 | 468,694 |
| | 9,381,806 | 11,520,461 |
| Less accumulated depreciation | (4,354,685) | (588,674) |
| Net property, plant and equipment | 5,027,121 | 10,931,787 |
| Franchise costs and other intangible assets, net of accumulated amortization of $2,033,405 in 1998 and $563,545 in 1999 | 1,772,345 | 12,920,055 |
| Total assets | $ 7,120,641 | $24,039,085 |
| LIABILITIES AND PARTNERS' EQUITY | | |
| Accounts payable and accrued liabilities | $ 396,605 | $ 421,834 |
| Customer deposits and prepayments | 126,212 | 121,878 |
| Interest payable | -- | 3,539 |
| Interpartnership debt | 2,865,426 | 1,585,851 |
| Total liabilities | 3,388,243 | 2,133,102 |
| Partners' equity: | | |
| General partner | 822,837 | 8,796,860 |
| Limited partners | 2,909,561 | 13,109,123 |
| Total partners' equity | 3,732,398 | 21,905,983 |
| Total liabilities and partners' equity | $ 7,120,641 | $24,039,085 |

The accompanying notes are an integral part of the financial statements.

RIFKIN CABLE INCOME PARTNERS L.P.

STATEMENT OF OPERATIONS
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| REVENUE: | | |
| Service | $2,380,813 | $2,506,608 |
| Installation and other | 166,952 | 201,478 |
| Total revenue | 2,547,765 | 2,708,086 |
| COSTS AND EXPENSES: | | |
| Operating expense | 387,727 | 291,302 |
| Programming expense | 503,809 | 599,910 |
| Selling, general and administrative expense | 298,255 | 337,492 |
| Depreciation | 311,649 | 589,613 |
| Amortization | 100,145 | 563,545 |
| Management fees | 127,388 | 135,335 |
| Loss (gain) on disposal of assets | (420) | 25,109 |
| Total costs and expenses | 1,728,553 | 2,542,306 |
| Operating income | 819,212 | 165,780 |
| Interest expense | 193,502 | 96,891 |
| Net income | $ 625,710 | $ 68,889 |

The accompanying notes are an integral part of the financial statements.

RIFKIN CABLE INCOME PARTNERS L.P.

STATEMENT OF PARTNERS' EQUITY
(UNAUDITED)

| | GENERAL PARTNER | LIMITED PARTNERS | TOTAL |
|---|---|---|---|
| Partners' equity, December 31, 1997 | $ 263,171 | $ 2,170,336 | $ 2,433,507 |
| Net income | 269,606 | 356,104 | 625,710 |
| Partners' equity, June 30, 1998 | $ 532,777 | $ 2,526,440 | $ 3,059,217 |
| Partners' equity, December 31, 1998 | $ 822,837 | $ 2,909,561 | $ 3,732,398 |
| Partners' contribution | 7,944,340 | 10,160,356 | 18,104,696 |
| Net income | 29,683 | 39,206 | 68,889 |
| Partners' equity, June 30, 1999 | $8,796,860 | $13,109,123 | $21,905,983 |

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
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 625,710 | $ 68,889 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 411,794 | 1,153,158 |
| Amortization of deferred loan cost | 9,485 | -- |
| Loss (gain) on disposal of fixed assets | (420) | 25,109 |
| Decrease (increase) in customer accounts receivable | (1,563) | 3,943 |
| Decrease in other receivables | 65,289 | 60,594 |
| Decrease (increase) in prepaid expenses and other | (5,196) | 47,677 |
| Increase (decrease) in accounts payable and accrued liabilities | (17,175) | 25,229 |
| Decrease in customer deposits and prepayments | (45,512) | (4,334) |
| Increase (decrease) in interest payable | (4,216) | 3,539 |
| Net cash provided by operating activities | 1,038,196 | 1,383,804 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (199,764) | (122,490) |
| Additions to other intangible assets | -- | (4,956) |
| Proceeds from the sale of assets | 2,812 | 1,500 |
| Net cash used in investing activities | (196,952) | (125,946) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments of long-term debt | (464,750) | -- |
| Change in interpartnership debt, net | -- | (1,279,575) |
| Net cash used in financing activities | (464,750) | (1,279,575) |
| Net increase (decrease) in cash and cash equivalent | 376,494 | (21,717) |
| Cash and cash equivalents at beginning of period | 381,378 | 65,699 |
| Cash and cash equivalents at end of period | $ 757,872 | $ 43,982 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | $ 188,234 | $ 93,352 |

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., 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

Effective December 31, 1998, InterLink Communications Partners, LLLP ("ICP") acquired 100% of the Partnership. This transaction was accounted for as a purchase, as such, assets and liabilities were written up to their fair market value. The December 31, 1998 audited financial statements represent the Partnership just prior to this transaction. The June 30, 1999 unaudited financial statements represent the new basis of accounting as property, plant and equipment and franchise cost which were written up by $6,398,400 and $11,701600, respectively.

Accordingly, the June 30, 1999 unaudited financial statements of the Partnership are not comparable to the December 31, 1998 audited financial statements of the Partnership, which are based upon historic costs.

BASIS OF PRESENTATION

The accompanying consolidated financial statements are unaudited. However, in the opinion of management, the financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for fair presentation in accordance with generally accepted accounting principles applicable to interim periods. The results of operations for the six months ended June 30, 1999 are not necessarily indicative of the results that may be achieved for the full fiscal year and cannot be used to indicate financial performance for the entire year. The accompanying financial statements should be read in conjunction with the December 31, 1998 audited financial statements of Rifkin Cable Income Partners L.P.

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 June 30, 1999, and the results of its operations and its cash flows for the six months ended June 30, 1999. 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.

RIFKIN CABLE INCOME PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interests to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sale Agreement with Charter for the sale of the individual partners' interest.

2. 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 effect on the Partnership's financial position or results of operations.

3. SUBSEQUENT EVENTS

On September 13, 1999, the Charter transaction discussed above closed.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

CONSOLIDATED BALANCE SHEET

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| ASSETS | | |
| Cash | $ 2,694,050 | $ 2,324,892 |
| Subscriber accounts receivable, net of allowance for doubtful accounts of $283,021 in 1999 and $444,839 in 1998 | 2,044,860 | 1,932,140 |
| Other receivables | 3,813,453 | 5,637,771 |
| Prepaid expenses and other | 1,290,900 | 2,398,528 |
| Property, plant and equipment at cost: | | |
| Cable television transmission and distribution systems and related equipment | 164,389,372 | 149,376,914 |
| Land, building, vehicles and furniture and fixtures | 8,431,453 | 7,421,960 |
| | 172,820,825 | 156,798,874 |
| Less accumulated depreciation | (42,862,043) | (35,226,773) |
| Net property, plant and equipment | 129,958,782 | 121,572,101 |
| Franchise costs and other intangible assets, net of accumulated amortization of $78,661,872 in 1999 and $67,857,545 in 1998 | 170,219,573 | 183,438,197 |
| Total assets | $310,021,618 | $317,303,629 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Accounts payable and accrued liabilities | $ 18,385,567 | $ 11,684,594 |
| Subscriber deposits and prepayments | 1,203,363 | 1,676,900 |
| Interest payable | 7,169,321 | 7,242,954 |
| Deferred taxes payable | 6,703,000 | 7,942,000 |
| Notes payable | 225,575,000 | 224,575,000 |
| Total liabilities | 259,036,251 | 253,121,448 |
| Commitments: | | |
| Redeemable partners' interests | 16,732,480 | 10,180,400 |
| Partners' capital (deficit): | | |
| General partner | (2,941,996) | (1,991,018) |
| Limited partners | 36,851,306 | 55,570,041 |
| Preferred equity interest | 343,577 | 422,758 |
| Total partners' capital | 34,252,887 | 54,001,781 |
| Total liabilities and partners' capital | $310,021,618 | $317,303,629 |

See accompanying notes to financial statements.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

CONSOLIDATED STATEMENT OF OPERATIONS

| | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 1999 | 1998 |
| | (UNAUDITED) | |
| REVENUE: | | |
| Service | $ 44,101,504 | $40,840,852 |
| Installation and other | 4,482,312 | 3,460,924 |
| Total revenue | 48,583,816 | 44,301,776 |
| COSTS AND EXPENSES: | | |
| Operating expense | 6,644,646 | 7,005,851 |
| Programming expense | 10,639,390 | 9,249,482 |
| Selling, general and administrative expense | 10,744,654 | 6,357,755 |
| Depreciation | 8,246,865 | 7,409,182 |
| Amortization | 12,738,555 | 11,274,197 |
| Management fees | 1,700,434 | 1,550,562 |
| Loss on disposal of assets | 471,021 | 647,759 |
| Total costs and expenses | 51,185,565 | 43,494,788 |
| Operating income(loss) | (2,601,749) | 806,988 |
| Gain on sale of Michigan assets | -- | (5,989,846) |
| Interest expense | 11,722,458 | 11,717,980 |
| Loss before income taxes and cumulative effect of accounting change | (14,324,207) | (4,921,146) |
| Income tax benefit | (1,239,000) | (1,900,000) |
| Loss before cumulative effect of accounting change | (13,085,207) | (3,021,146) |
| Cumulative effect of accounting change for organizational costs | 111,607 | -- |
| Net loss | $(13,196,814) | $(3,021,146) |

See accompanying notes to financial statements.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

CONSOLIDATED STATEMENT OF CASH FLOW

| | SIX MONTHS ENDED JUNE 30, 1999 | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(13,196,814) | $ (3,021,146) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,985,420 | 18,683,379 |
| Amortization of deferred loan cost | 483,396 | 494,880 |
| Gain on sale of Michigan assets | -- | (5,989,846) |
| Loss on disposal of fixed assets | 471,021 | 647,759 |
| Cumulative effect of accounting change for organizational costs | 111,607 | -- |
| Deferred taxes benefit | (1,239,000) | (1,900,000) |
| Decrease (increase) in subscriber accounts receivable | (112,720) | 269,303 |
| Decrease in other receivables | 1,824,318 | 72,181 |
| Decrease in prepaid expenses and other | 1,107,628 | 201,781 |
| Increase in accounts payable and accrued liabilities | 6,700,973 | 1,135,221 |
| Decrease in subscriber deposits and prepayment | (473,537) | (261,722) |
| Decrease in interest payable | (73,633) | (272,439) |
| Net cash provided by operating activities | 16,588,659 | 10,059,351 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (17,194,454) | (15,876,545) |
| Additions to cable television franchises, net of retirements and changes in other intangible assets | (114,930) | (757,843) |
| Net proceeds from sale of Michigan assets | -- | 17,050,564 |
| Net proceeds from the disposal of assets (other than Michigan assets) | 89,883 | 118,952 |
| Net cash provided by (used in) investing activities | (17,219,501) | 535,128 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term bank debt | 9,500,000 | 12,000,000 |
| Payments of long term-bank debt | (8,500,000) | (23,425,000) |
| Net cash provided by (used in) financing activities | 1,000,000 | (11,425,000) |
| NET INCREASE (DECREASE) IN CASH | 369,158 | (830,521) |
| CASH AT BEGINNING OF PERIOD | 2,324,892 | 1,902,555 |
| CASH AT END OF PERIOD | $ 2,694,050 | $ 1,072,034 |

See accompanying notes to financial statements.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)
SIX MONTHS ENDED JUNE 30, 1999 AND 1998

| | PREFERRED EQUITY INTEREST | GENERAL PARTNER | LIMITED PARTNERS | TOTAL |
|---|---|---|---|---|
| | | (UNAUDITED) | | |
| Partners' capital (deficit) at 12/31/98 | $422,758 | $(1,991,018) | $55,570,041 | $54,001,781 |
| Net loss for the six months ended 6/30/99 | (79,181) | (131,968) | (12,985,665) | (13,196,814) |
| Accretion of redeemable partners' interest | -- | (819,010) | (5,733,070) | (6,552,080) |
| Partners' capital (deficit) at 6/30/99 | $343,577 | $(2,941,996) | $36,851,306 | $34,252,887 |
| Partners' capital (deficit) at 12/31/97 | $276,243 | $(1,885,480) | $34,044,912 | $32,435,675 |
| Net loss for the six months ended 6/30/98 | (18,127) | (30,211) | (2,972,808) | (3,021,146) |
| Accretion of redeemable partners' interest | -- | (140,975) | (986,825) | (1,127,800) |
| Partners' capital (deficit) at 6/30/98 | $258,116 | $(2,056,666) | $30,085,279 | $28,286,729 |

See accompanying notes to financial statements.

# RIFKIN ACQUISITION PARTNERS, L.L.L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Rifkin Acquisition Partners, L.P. ("RAP L.P.") was formed on December 16, 1988, pursuant to the laws of the State of Colorado, for the purpose of acquiring and operating cable television (CATV) systems. On September 1, 1995, RAP L.P. registered as a limited liability limited partnership, Rifkin Acquisition Partners, L.L.L.P. (the "Partnership"), pursuant to the laws of the State of Colorado. Rifkin Acquisition Management, L.P., was the general partner of RAP L.P. and is the general partner of the Partnership ("General Partner"). The Partnership and its subsidiaries are hereinafter referred to on a consolidated basis as the "Company."

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.

These statements have been completed in conformity with the SEC requirements for unaudited consolidated financial statements for the Company and does not contain all of the necessary footnote disclosures required for a fair presentation of the balance sheets, statements of operations, of partners' capital(deficit), and of cash flows in conformity with generally accepted accounting principles. However, in the opinion of management, this data includes all adjustments, consisting of normal recurring accruals necessary to present fairly the consolidated financial position at June 30, 1999, December 31, 1998 and June 30, 1998, and its consolidated results of operations and cash flows for the six months ended June 30, 1999 and 1998. The consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements and notes thereto included on Form 10-K, No. 333-3084, for the year ended December 31, 1998.

### 2. SUBSEQUENT EVENT

On February 12, 1999, the Company signed a letter of intent for the partners to sell their partnership interests to Charter Communications, Inc. ("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 transaction closed September 13, 1999.

### 3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1999, the Company adopted the Accounting Standards Executive Committee's Statement of Position (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 organization costs capitalized in prior years along with the accumulated amortization, resulting in the recognition of a cumulative effect of accounting change loss of $111,607.

### 4. RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 1998 Consolidated Statement of Operations to conform with the Audited Consolidated Statement of Operations for the year ended December 31, 1998.

RIFKIN ACQUISITION PARTNERS, L.L.L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. SENIOR SUBORDINATED NOTES

On January 26, 1996, the Company and its wholly-owned subsidiary, Rifkin Acquisition Capital Corp (RAC), co-issued a $125 million aggregate principal amount 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 in cash, semi-annually on January 15 and July 15 of each year, commencing on July 15, 1996. 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, were allowed to redeem up to 25% of the principle amount of the notes issued to institutional investors of not less than $25 million. Such redemption did not take place. The Senior Subordinated Notes had a balance of $125 million at June 30, 1999 and December 31, 1998.

# INDIANA CABLE ASSOCIATES, LTD.

## BALANCE SHEET

| | 12/31/98 | 6/30/99 |
|---|---|---|
| | | (UNAUDITED) |
| ASSETS | | |
| Cash and cash equivalents | $ 108,619 | $ -- |
| Customer accounts receivable, less allowance for doubtful accounts of $24,729 in 1998 and $9,526 in 1999 | 85,795 | 87,996 |
| Other receivables | 295,023 | 263,708 |
| Prepaid expenses and deposits | 152,575 | 154,330 |
| Property, plant and equipment: | | |
| Buildings | 91,682 | 32,193 |
| Transmission and distribution systems and related equipment | 11,336,892 | 12,490,384 |
| Office furniture and equipment | 161,327 | 68,003 |
| Spare parts and construction inventory | 742,022 | 223,287 |
| | 12,331,923 | 12,813,867 |
| Less accumulated depreciation | 8,008,158 | 726,498 |
| Net property, plant and equipment | 4,323,765 | 12,087,369 |
| Other assets, less accumulated amortization of $8,355,280 in 1998 and $2,069,935 in 1999 | 5,083,029 | 19,769,578 |
| Total assets | $10,048,806 | $32,362,981 |
| LIABILITIES AND PARTNERS' EQUITY (DEFICIT) | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 897,773 | $ 652,702 |
| Customer prepayments | 47,458 | 51,444 |
| Interest payable | -- | 27,281 |
| Interpartnership debt | 9,606,630 | 9,500,071 |
| Total liabilities | 10,551,861 | 10,231,498 |
| Partners' equity (deficit): | | |
| General partner | (20,106) | 772,103 |
| Limited partner | (482,949) | 21,359,380 |
| Total partners' equity (deficit) | (503,055) | 22,131,483 |
| Total liabilities and partners' equity (deficit) | $10,048,806 | $32,362,981 |

See accompanying notes.

INDIANA CABLE ASSOCIATES, LTD.

STATEMENT OF OPERATIONS
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| REVENUE: | | |
| Service | $3,615,421 | $ 3,757,873 |
| Installation and other | 356,076 | 493,077 |
| Total revenue | 3,971,497 | 4,250,950 |
| COSTS AND EXPENSES: | | |
| Operating expense | 616,355 | 384,542 |
| Programming expense | 886,757 | 905,063 |
| Selling, general and administrative expense | 531,236 | 584,329 |
| Depreciation | 260,229 | 728,537 |
| Amortization | 354,803 | 2,069,935 |
| Management fees | 198,575 | 212,548 |
| Loss on disposal of assets | 24,924 | 34,071 |
| Total costs and expenses | 2,872,879 | 4,919,025 |
| Operating income (loss) | 1,098,618 | (668,075) |
| Interest expense | 574,213 | 403,594 |
| Net income (loss) | $ 524,405 | $(1,071,669) |

See accompanying notes.

INDIANA CABLE ASSOCIATES, LTD.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $ 524,405 | $(1,071,669) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 260,229 | 728,537 |
| Amortization | 354,803 | 2,069,935 |
| Amortization of deferred loan costs | 13,894 | -- |
| Loss on disposal of assets | 24,924 | 34,071 |
| Decrease (increase) in customer accounts receivable | 21,163 | (2,201) |
| Decrease in other receivables | 5,924 | 31,315 |
| Decrease (increase) in prepaid expenses and deposits | 10,496 | (1,755) |
| Increase (decrease) in accounts payable and accrued liabilities | 75,670 | (245,071) |
| Increase (decrease) in customer prepayments | (14,658) | 3,986 |
| Increase (decrease) in interest payable | (1,045) | 27,281 |
| Net cash provided by operating activities | 1,275,805 | 1,574,429 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (284,031) | (1,574,418) |
| Additions to intangible assets | -- | (2,662) |
| Net Proceeds from the sale of assets | -- | 591 |
| Net cash used in investing activities | (284,031) | (1,576,489) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from long-term debt | 600,000 | -- |
| Payments of long-term debt | (1,600,000) | -- |
| Change in interpartnership debt, net | -- | (106,559) |
| Deferred loan cost | (934) | -- |
| Net cash used in financing activities | (1,000,934) | (106,559) |
| Net increase in cash and cash equivalents | (9,160) | (108,619) |
| Cash and cash equivalents at beginning of period | 82,684 | 108,619 |
| Cash and cash equivalents at end of period | $ 73,524 | $ -- |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | $ 529,880 | $ 376,313 |

See accompanying notes.

INDIANA CABLE ASSOCIATES, LTD.

STATEMENT OF PARTNERS' DEFICIT
(UNAUDITED)

| | GENERAL PARTNER | LIMITED PARTNERS | TOTAL |
|---|---|---|---|
| Partners' deficit at December 31, 1997 | $(66,418) | $ (1,759,845) | $ (1,826,263) |
| Net income, six months ended June 30, 1998 | 18,354 | 506,051 | 524,405 |
| Partners' deficit at June 30, 1998 | $(48,064) | $ (1,253,794) | $ (1,301,858) |
| Partners' deficit at December 31, 1998 | $(20,106) | $ (482,949) | $ (503,055) |
| Investment in Partnership | 829,718 | 22,876,489 | 23,706,207 |
| Net loss for six months ended June 30, 1999 | (37,509) | (1,034,160) | (1,071,669) |
| Partners' equity at June 30, 1999 | $772,103 | $ 21,359,380 | $ 22,131,483 |

See accompanying notes.

INDIANA CABLE ASSOCIATES, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements are unaudited. However, in the opinion of management, the financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for fair presentation in accordance with generally accepted accounting principles applicable to interim periods. Interim results of operations are not indicative of results for the full year. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements of Indiana Cable Associates, Ltd. (the "Partnership").

Effective April 1, 1999, InterLink Communications Partners, LLLP ("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. Indiana Cable Associates' 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 June 30, 1999, and the results of its operations and its cash flows for the six months ended June 30, 1999. 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.

2. ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP

ICP agreed to purchase all of the Partnership interests as of December 31, 1998, for a total purchase price of approximately $32.7 million. The acquisition of the Partnership by ICP was accounted for as a purchase and a new basis of accounting was established effective January 1, 1999. The new basis resulted in assets and liabilities being recorded at their fair market value resulting in a increase in property, plant, and equipment and franchise costs of approximately $7.0 million and approximately $16.8 million, respectively. Accordingly, the 1999 interim-unaudited financial statements are not comparable to the 1998 interim-unaudited financial statements of the Partnership, which are based on historical costs.

3. ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interests to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sale Agreement with Charter for the sale of the individual partners' interest. ICP and Charter are expected to complete the sale during the third quarter of 1999.

4. 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.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

| | 12/31/98 | 6/30/99 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 678,739 | $ 720,335 |
| Customer accounts receivable, less allowance for doubtful accounts of $84,424 in 1998 and $17,699 in 1999 | 455,339 | 486,624 |
| Other receivables | 1,691,593 | 981,567 |
| Prepaid expenses and deposits | 393,022 | 151,631 |
| Property, plant and equipment, at cost: | | |
| Transmission and distribution system and related equipment | 27,981,959 | 24,298,593 |
| Office furniture and equipment | 755,398 | 251,659 |
| Leasehold improvements | 549,969 | 1,016 |
| Construction in process and spare parts inventory | 744,806 | 1,511,622 |
| | 30,032,132 | 26,062,890 |
| Less accumulated depreciation | (11,368,764) | (1,395,385) |
| Net property, plant and equipment | 18,663,368 | 24,667,505 |
| Other assets, less accumulated amortization | 5,181,012 | 70,082,997 |
| Total assets | $ 27,063,073 | $97,090,659 |
| LIABILITIES AND PARTNERS' EQUITY (DEFICIT) | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 2,356,540 | $ 2,629,249 |
| Interest payable | -- | 40,774 |
| Customer prepayments | 690,365 | 752,522 |
| Interpartnership debt | 31,222,436 | 29,181,690 |
| Total liabilities | 34,269,341 | 32,604,235 |
| Partners' equity (deficit): | | |
| General partner | (81,688) | 585,770 |
| Limited partner | (8,104,718) | 58,010,284 |
| Special limited partner | 980,138 | 5,890,370 |
| Total partners' equity (deficit) | (7,206,268) | 64,486,424 |
| Total liabilities and partners' equity (deficit) | $ 27,063,073 | $97,090,659 |

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| REVENUES: | | |
| Service | $ 9,263,046 | $ 10,443,758 |
| Installation and other | 1,524,279 | 1,829,934 |
| | 10,787,325 | 12,273,692 |
| COSTS AND EXPENSES: | | |
| Operating expense | 1,871,082 | 2,015,928 |
| Programming expense | 2,302,086 | 2,701,090 |
| Selling, general and administrative expense | 2,333,536 | 2,169,031 |
| Depreciation | 1,088,616 | 1,401,473 |
| Amortization | 646,553 | 12,465,996 |
| Management fees | 431,493 | 490,948 |
| Loss on disposal of assets | 96,044 | 242,800 |
| Total costs and expenses | 8,769,410 | 21,487,266 |
| Operating income (loss) | 2,017,915 | (9,213,574) |
| Interest expense | 1,286,725 | 1,235,445 |
| Net income (loss) | $ 731,190 | $(10,449,019) |

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

COMPARATIVE CONSOLIDATED STATEMENT OF PARTNERS' EQUITY
(UNAUDITED)

| | GENERAL PARTNER | LIMITED PARTNERS | SPECIAL LIMITED PARTNERS | TOTAL |
|---|---|---|---|---|
| Partners' equity (deficit) at December 31, 1997 | $(96,602) | $(9,582,050) | $ 870,419 | $ (8,808,233) |
| Net income for the six months ended June 30, 1998 | 6,808 | 674,303 | 50,079 | 731,190 |
| Partners' equity (deficit) at June 30, 1998 | $(89,794) | $(8,907,747) | $ 920,498 | $ (8,077,043) |
| Partners' equity (deficit) at December 31, 1998 | $(81,688) | $(8,104,718) | $ 980,138 | $ (7,206,268) |
| Investment in Partnership | 764,739 | 75,751,087 | 5,625,885 | 82,141,711 |
| Net loss for the six months ended June 30, 1999 | (97,281) | (9,636,085) | (715,653) | (10,449,019) |
| Partners' equity at June 30, 1999 | $585,770 | $58,010,284 | $5,890,370 | $ 64,486,424 |

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|---|---|
| | 6/30/98 | 6/30/99 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $ 731,190 | $(10,449,019) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 1,088,616 | 1,401,473 |
| Amortization | 646,553 | 12,465,996 |
| Amortization of deferred loan cost | 44,659 | -- |
| Loss on disposal of assets | 96,044 | 242,800 |
| Decrease (increase) in customer accounts receivable | 233,404 | (31,285) |
| Decrease (increase) in other receivables | (98,355) | 710,025 |
| Decrease in prepaid expenses and deposits | 31,048 | 241,391 |
| Increase (decrease) in accounts payable and accrued liabilities | (375,494) | 272,709 |
| Increase (decrease) in customer prepayments | (174,131) | 62,157 |
| Increase in interest payable | 13,034 | 40,774 |
| Net cash provided by operating activities | 2,236,568 | 4,957,021 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (3,586,254) | (2,697,239) |
| Additions to other assets, net of refranchises | (142,090) | (212,568) |
| Proceeds from the sale of assets | 7,063 | 35,128 |
| Net cash used in investing activities | (3,721,281) | (2,874,679) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from long-term debt | 4,400,000 | -- |
| Payments of long-term debt | (2,850,000) | -- |
| Change in interpartnership debt, net | -- | (2,040,746) |
| Net cash provided by (used in) financing activities | 1,550,000 | (2,040,746) |
| Net increase in cash and cash equivalents | 65,287 | 41,596 |
| Cash and cash equivalents at beginning of period | 362,619 | 678,739 |
| Cash and cash equivalents at end of period | $ 427,906 | $ 720,335 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | $ 1,211,531 | $ 1,244,254 |

See accompanying notes.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements are unaudited. However, in the opinion of management, the financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for fair presentation in accordance with generally accepted accounting principles applicable to interim periods. Interim results of operations are not indicative of results for the full year. The accompanying financial statements should be read in conjunction with the December 31, 1998 audited consolidated financial statements of R/N South Florida Cable Management Limited Partnership (the "Partnership").

Effective April 1, 1999, InterLink Communications Partners, LLLP ("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 June 30, 1999, and the results of its operations and its cash flows for the six months ended June 30, 1999. 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.

2. ACQUISITION BY INTERLINK COMMUNICATIONS PARTNERS, LLLP

ICP agreed to purchase all of the Partnership interests as of December 31, 1998, for a total purchase price of approximately $105.5 million. The acquisition of the Partnership by ICP was accounted for as a purchase and a new basis of accounting was established effective January 1, 1999. The new basis resulted in assets and liabilities being recorded at their fair market value resulting in a increase in property, plant, and equipment and franchise costs of approximately $5.0 million and approximately $77.1 million, respectively. Accordingly, the 1999 interim-unaudited financial statements are not comparable to the 1998 interim-unaudited financial statements of the Partnership, which are based on historical costs.

3. DEBT

On December 30, 1998, the Partnership obtained an interpartnership loan agreement with ICP. Borrowings under the interpartnership loan, as well as interest and principal payments are due at the discretion of the management of ICP. The balance of the interpartnership loan at December 31, 1998 and June 30, 1999 was $31,222,436 and $29,181,690, respectively. The interest rate at both December 31, 1998 and June 30, 1999 was 8.5%

4. ACQUISITION BY CHARTER COMMUNICATIONS HOLDINGS, LLC

On February 12, 1999, ICP signed a letter of intent to sell all of ICP's partnership interests to Charter Communications Holdings, LLC ("Charter"). On April 26, 1999, ICP signed a definitive Purchase and Sale Agreement with Charter for the sale of the individual partners' interest. ICP and Charter are expected to complete the sale during the third quarter of 1999.

R/N SOUTH FLORIDA CABLE MANAGEMENT LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. 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 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.

PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999, except for Note 12,
as to which the date is May 13, 1999

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

| | DECEMBER 31, 1998 | DECEMBER 31, 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 YEAR ENDED DECEMBER 31, 1998 | FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH 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 CHANGES IN MEMBERS' INTEREST
FROM THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1998

| | CLASS A | | CLASS B-1 | | ACCUMULATED EARNINGS (DEFICIT) | TOTAL MEMBERS' INTEREST |
|---|---|---|---|---|---|---|
| | UNITS | $ | UNITS | $ | | |
| | (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA) | | | | | |
| Net income for the period from September 4, 1997 through December 31, 1997 | -- | $ -- | -- | $ -- | $ 4 | $ 4 |
| Issuance of Class A units | 45,000 | 45,000 | -- | -- | -- | 45,000 |
| Issuance of Class B-1 units in consideration for Avalon Cable of New England LLC | -- | -- | 64,696 | 4,345 | -- | 4,345 |
| Contribution of assets and liabilities of Avalon Cable of Michigan Inc. | -- | -- | 510,994 | 117,285 | -- | 117,285 |
| Net loss for the year ended December 31, 1998 | -- | | -- | | (15,382) | (15,382) |
| Balance at December 31, 1998 | 45,000 | $45,000 | 575,690 | $121,630 | $(15,378) | $151,252 |

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

| | FOR THE YEAR ENDED DECEMBER 31, 1998 | FOR THE PERIOD SEPTEMBER 31, 1997 (INCEPTION) 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 | $-- |
| SUPPLEMENTAL DISCLOSURES 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.

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.

### 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 |

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 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.

| | 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-compete agreement | 100 |
| | 468,459 |
| Less: accumulated amortization | (6,342) |
| | $462,117 |

Amortization expense was $6,342 for the year ended December 31, 1998.

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.

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 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.

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% |
| 2006 and 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 |

| YEAR | TAX NET OPERATING LOSSES | EXPIRATION 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) |

AVALON CABLE LLC AND SUBSIDIARIES

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.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| | (IN THOUSANDS) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 3,457 | $ 9,288 |
| Subscriber receivables, less allowance for doubtful accounts of $1,509 and $943 | 6,158 | 5,862 |
| Accounts receivable-affiliate | -- | 124 |
| Deferred income taxes | -- | 479 |
| Prepaid expenses and other current assets | 415 | 580 |
| Total current assets | 10,030 | 16,333 |
| Property, plant and equipment, net | 116,587 | 111,421 |
| Intangible assets, net | 470,041 | 462,117 |
| Other assets | 32 | 227 |
| Total assets | $596,690 | $590,098 |
| LIABILITIES AND MEMBERS' INTEREST | | |
| CURRENT LIABILITIES | | |
| Current portion of notes payable | $ 25 | $ 20 |
| Accounts payable and accrued expenses | 13,983 | 11,646 |
| Accounts payable, net-affiliate | 3,160 | 2,023 |
| Deferred revenue | 3,136 | 3,171 |
| Total current liabilities | 20,304 | 16,860 |
| Note payable, net of current portion | 446,079 | 402,949 |
| Note payable-affiliate | -- | 3,341 |
| Deferred income taxes | -- | 1,841 |
| Total liabilities | 466,383 | 424,991 |
| Minority interest | -- | 13,855 |
| Commitments and contingencies (Note 5) | | |
| Members' interests | | |
| Members' capital | 166,630 | 166,630 |
| Accumulated deficit | (36,323) | (15,378) |
| Total members' interest | 130,307 | 151,252 |
| Total liabilities and members' interest | $596,690 | $590,098 |

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 | FOR THE SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) (IN THOUSANDS) | |
| REVENUE | | |
| Basic services | $ 42,064 | $131 |
| Premium services | 4,079 | 15 |
| Other | 5,626 | 8 |
| Total revenues | 51,769 | 154 |
| Operating expenses | | |
| Selling, general and administrative | 9,544 | 21 |
| Programming | 13,966 | 39 |
| Technical and operations | 5,932 | 17 |
| Depreciation and amortization | 22,096 | 53 |
| Loss from operations | 231 | 24 |
| Other income (expense) | | |
| Interest income | 708 | -- |
| Interest expense | (23,246) | (5) |
| Income (loss) before income taxes | (22,307) | 19 |
| (Benefit) for income taxes | (1,362) | -- |
| Net income (loss) | $(20,945) | $ 19 |

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTEREST

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED) | | | | | |
|---|---|---|---|---|---|---|
| | CLASS A | | CLASS B-1 | | ACCUMULATED DEFICIT | TOTAL MEMBERS' INTEREST |
| | UNITS | $ | UNITS | $ | | |
| | (UNAUDITED) (IN THOUSANDS, EXCEPT SHARE DATA) | | | | | |
| Balance at December 31, 1998.... | 45,000 | $45,000 | 575,690 | $121,630 | $(15,378) | $151,252 |
| Net loss for the six months ended June 30, 1999........... | -- | -- | -- | -- | (20,945) | (20,945) |
| Balance at June 30, 1999........ | 45,000 | $45,000 | 575,690 | $121,630 | $(36,323) | $130,307 |

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 | FOR THE SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) (IN THOUSANDS) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $(20,945) | $ 19 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 22,096 | 53 |
| Accretion of Senior Discount Notes | 6,630 | -- |
| Changes in operating assets and liabilities | | |
| Decrease in subscriber receivables | 247 | 22 |
| (Increase) decrease in prepaid expenses and other assets | 240 | (16) |
| Increase in accounts payable and accrued expenses | 2,440 | 152 |
| Increase in accounts payable, net-affiliate | 1,000 | -- |
| Decrease in deferred revenues | (35) | (152) |
| Decrease in deferred income taxes, net | (1,362) | -- |
| Net cash provided by operating activities | 10,311 | 78 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (9,881) | (101) |
| Payments for acquisitions, net | (39,420) | (8,187) |
| Net cash used in investing activities | (49,301) | (8,288) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Note payable-affiliate | (3,341) | 733 |
| Capital Contribution | -- | 1,062 |
| Proceeds from credit facility | 36,500 | 6,700 |
| Net cash provided by financing activities | 33,159 | 8,495 |
| Increase (decrease) in cash | (5,831) | 285 |
| Cash, beginning of period | 9,288 | -- |
| Cash, end of period | $ 3,457 | $ 285 |

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(IN THOUSANDS)

## 1. DESCRIPTION OF BUSINESS

Avalon Cable LLC ("the Company"), 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 the Company in exchange for a membership interest in the Company. This contribution was between entities under common control and was accounted for similar to a pooling-of-interests. Under the pooling-of-interests method, the results of operations for the Company include the results of operations from the date of inception (September 4, 1997) of Avalon New England. On November 6, 1998, the Company received $63,000 from affiliated entities, which was comprised of (i) a $45,000 capital contribution by Avalon Investors, LLC ("Avalon Investors") and (ii) an $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, the Company received a dividend distribution from Avalon New England in the amount of $18,206, which was used by the Company 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.

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, which then transferred those assets and liabilities to its wholly-owned subsidiary Avalon Michigan;

- Avalon Michigan now operates the Michigan cluster replacing Avalon Cable of Michigan, Inc.;

- Avalon Cable of Michigan Holdings, Inc. ceased to be an obligor on the exchanged notes and together with Avalon Cable of Michigan, Inc. became a guarantor of the obligations of the Company under the exchanged notes;

- Avalon Michigan became an additional obligor on the Senior Subordinated Notes replacing Avalon Cable of Michigan, Inc.; and

- Avalon Cable of Michigan, Inc. ceased to be an obligor on the Senior Subordinated Notes and the credit facility and became a guarantor of the obligations of Avalon Michigan under the Senior Subordinated Notes and the credit facility.

As a result of the 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 for Avalon include the results of operations from the date of inception (June 2, 1998) 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 New England and Avalon Michigan's 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 New England and Avalon Michigan 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 New England and Avalon Michigan.

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.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. BASIS OF PRESENTATION

Pursuant to the rules and regulations of the Securities and Exchange Commission, certain financial information has been condensed and certain footnote disclosures have been omitted. Such information and disclosures are normally included in financial statements prepared in accordance with generally accepted accounting principles.

The consolidated financial statements herein include the accounts of the Company and its wholly-owned subsidiaries.

These condensed financial statements should be read in conjunction with the Company's audited financial statements as of December 31, 1998 and notes thereto included elsewhere herein.

The financial statements as of June 30, 1999 and for the six month period then ended are unaudited; however, in the opinion of management, such statements include all adjustments (consisting solely of normal and recurring adjustments except for the acquisition of Cross Country Cable, LLC ("Cross Country"), Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. ("Nova Cable"), Novagate Communication Corporation ("Novagate"), Traverse Internet R/Com. L.C., the Mercom Merger and the contribution of assets and liabilities by Avalon Cable of Michigan, Inc.) necessary to present fairly the financial information included therein.

3. MERGER AND ACQUISITIONS

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 paid in conjunction with the Mercom acquisition, excluding fees and expenses was $21,900. The purchase price was allocated as follows: approximately $13,800 to the elimination of minority interest, $1,170 to property, plant and equipment, $6,700 to cable franchises and the excess of consideration paid over the fair market value of the net assets acquired, or goodwill, of $240.

In March 1999, Avalon Cable of Michigan Inc. acquired the cable television systems of Nova Cable for approximately $7,800, excluding transaction fees.

On January 21, 1999, the Company through its subsidiary, Avalon New England subsidiaries, acquired Novagate for a purchase price of $2,900.

On March 26, 1999, the Company through its subsidiary, Avalon Michigan, acquired the assets of R/Com, L.C., for a total purchase price of approximately $450.

In January 1999, the Company acquired all of the issued and outstanding Common Stock of Cross Country for a purchase price of approximately $2,500, excluding transaction fees.

On April 1, 1999, the Company, through its subsidiary, Avalon New England, acquired Traverse Internet for $2,400.

The acquisitions have been accounted for as purchases and the results of the companies acquired have been included in the accompanying financial statements since their acquisition dates. Accordingly, the consideration was allocated to the net assets based on their respective fair market values. The excess of the consideration paid over the estimated fair market values of the net assets acquired was $12,940 and is being amortized using the straight line method over 15 years.

In July 1999, Avalon New England purchased all of the cable systems of Taconic Technology Corporation for approximately $8,525 (excluding transaction fees).

4. INCOME TAXES

Upon the closure of the Mercom merger, Mercom was dissolved as a separate taxable entity which resulted in a change in tax status from a taxable entity to a nontaxable entity. As a result, the Company recognized a tax benefit of $1,362 in its results of operations and eliminated its deferred taxes, net in the balance sheet.

5. COMMITMENTS AND CONTINGENCIES

In connection with the acquisition of Mercom, former shareholders of Mercom holding approximately 731,894 Mercom common shares or 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 shareholders of Mercom holding 535,501 shares of Mercom common stock filed a petition for appraisal of stock in the Court of Chancery in the State of Delaware. With respect to 209,893 of the total number of shares for which the Company received notice, the Company received the notice of election from beneficial holders of Mercom common shares and not from holders of record. The Company believes that the notice with respect to the 209,893 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 shareholders will continue to pursue appraisal rights under Delaware law or choose to abandon these efforts and accept the consideration payable in the Mercom merger. If these former 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 to the appraisal subject to the appraisal proceedings together with a fair rate of interest. The Company could be ordered by the Delaware court 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 have already provided for the consideration of $12.00 per Mercom common share due under the terms of our merger with Mercom with respect to these shares but have 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 not have a material adverse effect on the Company.

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 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.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. PENDING MERGER

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 Communication 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.

PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999, except for Note 13,
as to which the date is May 13, 1999

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

| | DECEMBER 31, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| **ASSETS** | | |
| Cash | $ 9,288 | $ -- |
| Accounts receivable, net of allowance for doubtful accounts of $943 | 5,862 | -- |
| Prepayments and other current assets | 1,388 | 504 |
| Accounts receivable from related parties | 124 | -- |
| Deferred income taxes | 377 | -- |
| Current assets | 17,039 | 504 |
| 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 | 500 |
| 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 | 4 |
| Stockholders equity: | | |
| Common stock | -- | -- |
| 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 YEAR ENDED DECEMBER 31, 1998 | FOR THE PERIOD SEPTEMBER 4, 1997 (INCEPTION) THROUGH 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 OUTSTANDING | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|
| | | (IN THOUSANDS, EXCEPT SHARE AMOUNTS) | | | |
| Net income from date of inception through December 31, 1997.................... | -- | $-- | $ -- | $ -- | $ -- |
| Balance, January 1, 1998...... | 100 | -- | -- | -- | -- |
| Net loss...................... | -- | -- | -- | (8,918) | (8,918) |
| Contributions by parent....... | -- | -- | 35,000 | -- | 35,000 |
| Balance, December 31, 1998.... | 100 | $-- | $35,000 | $(8,918) | $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 YEAR ENDED DECEMBER 31, 1998 | FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH 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.

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.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

## 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.

### 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.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

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 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 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.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

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 |
| Loss from operations | $ (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.

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 |

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

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 |

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) |

| YEAR | TAX NET OPERATING LOSSES | EXPIRATION 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.

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.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

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 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% |
| 2006 and 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.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

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 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% |
| 2006 and 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

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

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 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:

| | MERCOM | AVALON CABLE 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.

## 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.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

| | JUNE 30, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| | (UNAUDITED) | |
| | (IN THOUSANDS) | |
| ASSETS | | |
| Cash | $ 3,457 | $ 9,288 |
| Accounts receivable, net of allowance for doubtful accounts of $1,509 and $943 | 6,158 | 5,862 |
| Prepayments and other current assets | 1,121 | 1,388 |
| Accounts receivable from related parties | -- | 124 |
| Deferred income taxes | -- | 377 |
| Total Current assets | 10,736 | 17,039 |
| Property, plant and equipment, net | 116,587 | 111,421 |
| Intangible assets, net | 470,041 | 462,117 |
| Deferred charges and other assets | 1,107 | 1,302 |
| Total assets | $598,471 | $591,879 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of notes payable | $ 25 | $ 20 |
| Accounts payable and accrued expenses | 13,983 | 11,646 |
| Advance billings and customer deposits | 3,136 | 3,171 |
| Accounts payable-affiliate | 3,160 | 2,023 |
| Total Current liabilities | 20,304 | 16,860 |
| Long-term debt | 446,079 | 402,949 |
| Notes payable-affiliate | -- | 3,341 |
| Deferred income taxes | 70,152 | 80,811 |
| Total liabilities | 536,535 | 503,961 |
| Commitments and contingencies (Note 5) | | |
| Minority interest | 45,627 | 61,836 |
| Stockholders' equity | | |
| Common stock | -- | -- |
| Additional paid-in capital | 35,000 | 35,000 |
| Accumulated deficit | (18,691) | (8,918) |
| Total stockholders' equity | 16,309 | 26,082 |
| Total liabilities and shareholders' equity | $598,471 | $591,879 |

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 | FOR THE SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) (IN THOUSANDS) | |
| REVENUE | | |
| Basic services | $ 42,064 | $ 131 |
| Premium services | 4,079 | 15 |
| Other | 5,626 | 8 |
| Total Revenue | 51,769 | 154 |
| Operating expenses | | |
| Selling, general and administrative | 9,544 | 21 |
| Programming | 13,966 | 39 |
| Technical and operations | 5,932 | 17 |
| Depreciation and amortization | 22,096 | 53 |
| Income from operations | 231 | 24 |
| Interest income | 708 | -- |
| Interest expense | (23,246) | (5) |
| Income loss before income taxes | (22,307) | 19 |
| Benefit from income taxes | 10,180 | -- |
| Income (loss) before minority interest | (12,127) | 19 |
| Minority interest in loss of consolidated entity | 2,354 | -- |
| Net income (loss) | $ (9,773) | $ 19 |

The accompanying notes are an integral part of these financial statements

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 | | | | |
|---|---|---|---|---|---|
| | COMMON SHARES OUTSTANDING | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | TOTAL SHAREHOLDERS' EQUITY |
| | | | (UNAUDITED) (IN THOUSANDS) | | |
| Balance, December 31, 1998.... | 100 | $ -- | $35,000 | $ (8,918) | $26,082 |
| Net loss for the six months ended June 30, 1999......... | -- | -- | -- | (9,773) | (9,773) |
| Balance, June 30, 1999........ | 100 | $ -- | $35,000 | $(18,691) | $16,309 |

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

| | FOR THE SIX MONTHS ENDED JUNE 30, 1999 | FOR THE SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|---|
| | (UNAUDITED) (IN THOUSANDS) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $ (9,773) | $ 19 |
| Depreciation and amortization | 22,096 | 53 |
| Accretion of Senior Discount Notes | 6,630 | -- |
| Decrease in minority interest | (2,354) | -- |
| Net change in certain assets and liabilities, net of business acquisitions | | |
| Decrease in accounts receivable | 247 | 22 |
| (Increase)/decrease in prepayment and other assets | 342 | (16) |
| Increase in accounts payable and accrued expenses | 2,440 | 152 |
| Decrease in deferred revenue | (35) | (152) |
| Increase in accounts payable, net-affiliate | 1,000 | -- |
| Deferred income taxes, net | (10,282) | -- |
| Net cash provided by operating activities | 10,311 | 78 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (9,881) | (101) |
| Payment for acquisitions | (39,420) | (8,187) |
| Net cash used in investing activities | (49,301) | (8,288) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in Notes payable-affiliate | (3,341) | 733 |
| Capital Contribution | -- | 1,062 |
| Proceeds from the issuance of the Credit Facility | 36,500 | 6,700 |
| Net cash provided by financing activities | 33,159 | 8,495 |
| Net increase (decrease) in cash | (5,831) | 285 |
| Cash at beginning of the period | 9,288 | -- |
| Cash at end of the period | $ 3,457 | $ 285 |

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(IN THOUSANDS)

1. 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. 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 November 6, 1998, 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.

On March 26, 1999, after the acquisition of Mercom, 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:

- The Company contributed the Senior Discount Notes and associated debt finance costs to Avalon Cable LLC and became a guarantor of the Senior Discount Notes.

- 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, excluding the Senior Discount Notes and associated debt finance costs, to its wholly-owned subsidiary, Avalon Cable of Michigan LLC.

- Avalon Cable of Michigan LLC has become the operator of the Michigan cluster replacing Avalon Michigan;

- Avalon Cable of Michigan LLC is an obligor on the Senior Subordinated Notes replacing Avalon Michigan; and

- Avalon Michigan is a guarantor of the obligations of Avalon Cable of Michigan LLC under the Senior Subordinated Notes. Avalon Michigan does not have significant assets, other than its 88% investment in Avalon Cable LLC at June 30, 1999.

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 becomes 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.

The Company has a majority interest in Avalon Cable LLC. Avalon Cable LLC wholly-owns Avalon Cable Holdings Finance, Avalon New England, and Avalon Cable of Michigan LLC.

Avalon Cable of Michigan LLC and Avalon New England provide cable services to various areas in Michigan and New England, 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 Cable of 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 acquisition of various cable operating companies. Avalon Cable Holdings Finance, Inc. conducts no other activities.

2. BASIS OF PRESENTATION

Pursuant to the rules and regulations of the Securities and Exchange Commission, certain financial information has been condensed and certain footnote disclosures have been omitted. Such information and disclosures are normally included in financial statements prepared in accordance with generally accepted accounting principles.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
JUNE 30, 1999

These condensed financial statements should be read in conjunction with the Company's audited financial statements at December 31, 1998 and notes thereto as included elsewhere herein.

The condensed financial statements as of June 30, 1999 and for the six month periods ended June 30, 1999 and 1998 are unaudited; however, in the opinion of management, such statements include all adjustments (consisting solely of normal and recurring adjustments except for the acquisition of Cross Country Cable, LLC ("Cross Country"), Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. ("Nova Cable"), Novagate Communication Corporation ("Novagate"), Traverse Internet, R/Com. L.C., the Mercom Merger and the contribution of assets and liabilities by Avalon Michigan) necessary to present fairly the financial information included therein.

3. MERGER AND ACQUISITIONS

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. The purchase price was allocated as follows: approximately $13,800 to the elimination of minority interest, $1,170 to property, plant and equipment, $6,700 to cable franchises and the excess of consideration paid over the fair market value of the net assets acquired, or goodwill, of $240.

In March 1999, Avalon Cable of Michigan Inc. acquired the cable television systems of Nova Cable for approximately $7,800, excluding transaction fees.

On January 21, 1999, the Company through its subsidiary, Avalon Cable of New England, LLC and subsidiaries, acquired Novagate for a purchase price of $2,900.

On March 26, 1999, the Company through its subsidiary, Avalon Cable of Michigan, LLC, acquired the assets of R/Com, L.C., for a total purchase price of approximately $450.

In January 1999, the Company acquired all of the issued and outstanding Common Stock of Cross Country for a purchase price of approximately $2,500, excluding transaction fees.

On April 1, 1999, the Company, through its subsidiary Avalon New England, acquired Traverse Internet for $2,400.

The acquisitions have been accounted for as purchases and the results of the companies acquired have been included in the accompanying financial statements since their acquisition dates. Accordingly, the consideration was allocated to the net assets based on their respective fair market values. The excess of the consideration paid over the estimated fair market values of the net assets acquired was $12,940 and is being amortized using the straight line method over 15 years.

In July 1999, Avalon New England purchased all of the cable systems of Taconic Technology Corporation for approximately $8,525 (excluding transaction fees).

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
JUNE 30, 1999

4. MINORITY INTEREST

The activity in minority interest for the six months ended June 30, 1999 is as follow:

| | MERCOM | AVALON CABLE LLC | TOTAL |
|---|---|---|---|
| Balance at December 31, 1998 | $13,855 | $47,981 | $61,836 |
| Purchase of the minority interest of Mercom | (13,855) | -- | (13,855) |
| Loss allocated to minority interest | -- | (2,354) | (2,354) |
| | -- | $45,627 | $45,627 |

5. COMMITMENTS AND CONTINGENCIES

In connection with the acquisition of Mercom, former shareholders of Mercom holding approximately 731,894 Mercom common shares or 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 shareholders of Mercom holding 535,501 shares of Mercom common stock filed a petition for appraisal of stock in the Court of Chancery in the State of Delaware. With respect to 209,893 of the total number of shares for which the Company received notice, the Company received the notice of election from beneficial holders of Mercom common shares and not from holders of record. The Company believes that the notice with respect to the 209,893 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 shareholders will continue to pursue appraisal rights under Delaware law or choose to abandon these efforts and accept the consideration payable in the Mercom merger. If these former 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 have already provided for the consideration of $12.00 per Mercom common share due under the terms of our merger with Mercom with respect to these shares but have 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 not have a material adverse effect on the Company.

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 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.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
JUNE 30, 1999

6. PENDING MERGER

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase the Company'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 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 a 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.

PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999

CABLE MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | DECEMBER 31, 1997 | NOVEMBER 5, 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 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 YEARS ENDED DECEMBER 31, 1996 | FOR THE YEARS ENDED DECEMBER 31, 1997 | FOR THE PERIOD FROM JANUARY 1, 1998 TO 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 SHARES OUTSTANDING | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | DEFICIT | SHAREHOLDER'S NET INVESTMENT | TOTAL SHAREHOLDERS' 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.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED DECEMBER 31, 1996 | 1997 | FOR THE PERIOD FROM JANUARY 1, 1998 TO 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 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.

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.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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. 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.

4. PROPERTY, PLANT AND EQUIPMENT

| | DECEMBER 31, 1997 | NOVEMBER 5, 1998 |
|---|---|---|
| Cable plant | $158,655 | $ 174,532 |
| Buildings and land | 2,837 | 2,917 |
| Furniture, fixtures and vehicles | 5,528 | 6,433 |
| Construction in process | 990 | 401 |
| Total property, plant and equipment | 168,010 | 184,283 |
| Less accumulated depreciation | (94,174) | (106,718) |
| Property, plant and equipment, net | $ 73,836 | $ 77,565 |

Depreciation expense was $15,728, $16,431 and $14,968 for the years ended December 31, 1996 and 1997, and the period from January 1, 1998 to November 5, 1998, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following at:

| | DECEMBER 31, 1997 | NOVEMBER 5, 1998 |
|---|---|---|
| Cable Franchises | $134,889 | $ 134,889 |
| Noncompete agreements | 473 | 473 |
| Goodwill | 3,990 | 3,990 |
| Other | 1,729 | 1,729 |
| Total | 141,081 | 141,081 |
| Less accumulated amortization | (95,821) | (108,951) |
| Intangible assets, net | $ 45,260 | $ 32,130 |

Amortization expense charged to operations for the years ended December 31, 1996 and 1997 was $15,699 and $15,651, respectively, and $13,130 for the period from January 1, 1998 to November 5, 1998.

6. INCOME TAXES

The income tax provision (benefit) in the accompanying consolidated financial statements of operations is comprised of the following:

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| CURRENT | | | |
| Federal | $(6,700) | $ 245 | $ 320 |
| State | -- | -- | 28 |
| Total Current | (6,700) | 245 | 348 |
| DEFERRED: | | | |
| Federal | 988 | (4,359) | (2,074) |
| State | -- | -- | (183) |
| Total Deferred | 988 | (4,359) | (2,257) |
| Total (benefit) for income taxes | $(5,712) | $(4,114) | $(1,909) |

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 NOVEMBER 11, 1998 |
|---|---|---|---|
| | 1996 | 1997 | |
| (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:

| YEAR | TAX NET OPERATING LOSSES | EXPIRATION 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, 1997 | NOVEMBER 5, 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) |

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 |
|---|---|---|
| Term Credit Facility | $100,000 | $100,000 |
| Revolving Credit Facility | 28,000 | 20,000 |
| Term Loan | 15,000 | 15,000 |
| Total | 143,000 | 135,000 |
| Current portion of long-term debt | -- | 15,000 |
| Total Long-Term 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 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.

Information relating to the Company stock options is as follows:

| | NUMBER OF SHARES | WEIGHTED AVERAGE EXERCISE 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.

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 ENDED DECEMBER 31, 1996 | FOR THE YEARS ENDED DECEMBER 31, 1997 | FOR THE PERIOD FROM JANUARY 1, TO NOVEMBER 5, 1998 |
|---|---|---|---|
| Net (Loss) as reported | $(8,256) | $(4,358) | $(10,534) |
| Net (Loss) pro forma | (8,256) | (4,373) | (10,174) |
| 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) | (0.63) | (1.45) |
| Diluted (Loss) per share-pro forma | (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 trusteed 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 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 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.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 |
|---|---|---|---|---|
| 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) | (.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 | (118) | 69 |
| Net (loss) | N/A | N/A | N/A | (1,107) |
| Net (loss) per average Common Share | N/A | N/A | N/A | $ (.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.

PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts
September 11, 1998

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.

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.

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH MAY 28, 1998

| | GENERAL PARTNER | CLASS A LIMITED PARTNER | CLASS B LIMITED PARTNER | INVESTOR LIMITED PARTNERS | 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 | $ (576) | $ (576) | $ (231) | $932,514 | $931,131 |

The accompanying notes are an integral part of these financial statements.

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.

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 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,

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

GREENFIELD, ALTMAN, BROWN, BERGER & KATZ, P.C.

Canton, Massachusetts
February 13, 1998

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

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

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

| | GENERAL PARTNER | CLASS A LIMITED PARTNER | CLASS B LIMITED PARTNER | INVESTOR LIMITED PARTNERS | TOTAL |
|---|---|---|---|---|---|
| Partners' deficit at December 31, 1994 | $(31,012) | $(31,012) | $(12,405) | $(211,905) | $(286,334) |
| Net earnings for the year | 4,263 | 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

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

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.

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

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.

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 |

AMRAC CLEAR VIEW, A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

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, 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.

PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania
March 30, 1999

THE COMBINED OPERATIONS OF PEGASUS CABLE TELEVISION OF CONNECTICUT, INC.
AND THE MASSACHUSETTS OPERATIONS OF PEGASUS CABLE TELEVISION, INC.

COMBINED BALANCE SHEETS

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | JUNE 30, 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

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 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

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 | | | |
|---|---|---|---|---|
| | NUMBER OF SHARES | PAR VALUE | ACCUMULATED DEFICIT | TOTAL STOCKHOLDER'S 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 | (7,033,248) | (7,025,575) |
| Net loss | | | (1,181,137) | (1,181,137) |
| Balances at December 31, 1996 | 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 | $(9,100,566) | $(9,092,893) |

See accompanying notes to combined financial statements

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, 1995 | 1996 | 1997 | SIX MONTHS ENDED 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

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.

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.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | JUNE 30, 1998 |
|---|---|---|---|
| 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 | JUNE 30, 1998 |
|---|---|---|---|
| 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 | 439,188 | 389,187 | 389,187 |
| | 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 | 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 |
| Capital lease obligations | 121,926 | 58,790 | -- |
| | 15,115,507 | 15,052,371 | 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 |
|---|---|---|
| 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.

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.

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.

# REPORT OF INDEPENDENT AUDITORS

Partners
Falcon Communications, L.P.

We have audited the accompanying consolidated balance sheets of Falcon Communications, L.P. (successor to Falcon Holding Group, L.P.) as of December 31, 1997 and 1998, and the related consolidated statements of operations, partners' deficit and cash flows for each of the three years in the period ended December 31, 1998. 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 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 Falcon Communications, L.P. (successor to Falcon Holding Group, L.P.) 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.

/S/ ERNST & YOUNG LLP

Los Angeles, California
March 5, 1999

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONSOLIDATED BALANCE SHEETS

| | DECEMBER 31, 1997 | DECEMBER 31, 1998 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| ASSETS: | | |
| Cash and cash equivalents | $ 13,917 | $ 14,284 |
| Receivables: | | |
| Trade, less allowance of $825,000 and $670,000 for possible losses | 13,174 | 15,760 |
| Affiliates | 11,254 | 2,322 |
| Other assets | 16,352 | 16,779 |
| Property, plant and equipment, less accumulated depreciation and amortization | 324,559 | 505,894 |
| Franchise cost, less accumulated amortization of $203,700,000 and $226,526,000 | 222,281 | 397,727 |
| Goodwill, less accumulated amortization of $18,531,000 and $25,646,000 | 66,879 | 135,308 |
| Customer lists and other intangible costs, less accumulated amortization of $25,517,000 and $59,422,000 | 59,808 | 333,017 |
| Deferred loan costs, less accumulated amortization of $7,144,000 and $2,014,000 | 12,134 | 24,331 |
| | $ 740,358 | $1,445,422 |

LIABILITIES AND PARTNERS' DEFICIT

| | 1997 | 1998 |
|---|---|---|
| LIABILITIES: | | |
| Notes payable | $ 911,221 | $1,611,353 |
| Accounts payable | 9,169 | 10,341 |
| Accrued expenses | 52,789 | 83,077 |
| Customer deposits and prepayments | 1,452 | 2,257 |
| Deferred income taxes | 7,553 | 8,664 |
| Minority interest | 354 | 403 |
| Equity in losses of affiliated partnerships in excess of investment | 3,202 | -- |
| TOTAL LIABILITIES | 985,740 | 1,716,095 |
| COMMITMENTS AND CONTINGENCIES | | |
| REDEEMABLE PARTNERS' EQUITY | 171,373 | 133,023 |
| PARTNERS' DEFICIT: | | |
| General partners | (13,200) | (408,369) |
| Limited partners | (403,555) | 4,673 |
| TOTAL PARTNERS' DEFICIT | (416,755) | (403,696) |
| | $ 740,358 | $1,445,422 |

See accompanying notes to consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONSOLIDATED STATEMENTS OF OPERATIONS

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| REVENUES | $217,320 | $255,886 | $ 307,558 |
| EXPENSES: | | | |
| Service costs | 60,302 | 75,643 | 97,832 |
| General and administrative expenses | 36,878 | 46,437 | 63,401 |
| Depreciation and amortization | 100,415 | 118,856 | 152,585 |
| Total expenses | 197,595 | 240,936 | 313,818 |
| Operating income (loss) | 19,725 | 14,950 | (6,260) |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense, net | (71,602) | (79,137) | (102,591) |
| Equity in net income (loss) of investee partnerships | (44) | 443 | (176) |
| Other income (expense), net | 814 | 885 | (2,917) |
| Income tax benefit (expense) | 1,122 | 2,021 | (1,897) |
| Net loss before extraordinary item | (49,985) | (60,838) | (113,841) |
| Extraordinary item, retirement of debt | -- | -- | (30,642) |
| NET LOSS | $(49,985) | $(60,838) | $(144,483) |

See accompanying notes to consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIT

| | GENERAL PARTNERS | LIMITED PARTNERS | UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES | TOTAL |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS) | | | |
| PARTNERS' DEFICIT, January 1, 1996 | $ (12,091) | $(399,423) | $(167) | $(411,681) |
| Sale of marketable securities | -- | -- | 167 | 167 |
| Capital contribution | -- | 5,000 | -- | 5,000 |
| Net loss for year | (500) | (49,485) | -- | (49,985) |
| PARTNERS' DEFICIT, December 31, 1996 | (12,591) | (443,908) | -- | (456,499) |
| Reclassification from redeemable partners' equity | -- | 100,529 | -- | 100,529 |
| Capital contribution | -- | 53 | -- | 53 |
| Net loss for year | (609) | (60,229) | -- | (60,838) |
| PARTNERS' DEFICIT, December 31, 1997 | (13,200) | (403,555) | -- | (416,755) |
| Reclassification of partners' deficit | (408,603) | 408,603 | -- | -- |
| Redemption of partners' interests | (155,908) | -- | -- | (155,908) |
| Net assets retained by the managing 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 | -- | -- | 83 |
| Net loss for year | (144,108) | (375) | -- | (144,483) |
| PARTNERS' DEFICIT, December 31, 1998 | $(408,369) | $ 4,673 | $ -- | $(403,696) |

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| Cash flows from operating activities: | | | |
| Net loss | $ (49,985) | $(60,838) | $ (144,483) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Payment-in-kind interest expense | 26,580 | 20,444 | -- |
| Amortization of debt discount | -- | -- | 19,342 |
| Depreciation and amortization | 100,415 | 118,856 | 152,585 |
| Amortization of deferred loan costs | 2,473 | 2,192 | 2,526 |
| Write-off deferred loan costs | -- | -- | 10,961 |
| Gain on sale of securities | (2,264) | -- | -- |
| Gain on casualty losses | -- | (3,476) | (314) |
| Equity in net (income) loss of investee partnerships | 44 | (443) | 176 |
| Provision for losses on receivables, net of recoveries | 2,417 | 5,714 | 4,775 |
| Deferred income taxes | (2,684) | (2,748) | 1,111 |
| Other | 764 | 1,319 | 278 |
| Increase (decrease) from changes in: | | | |
| Receivables | (2,420) | (9,703) | (1,524) |
| Other assets | (274) | (4,021) | 906 |
| Accounts payable | 4,750 | (1,357) | 337 |
| Accrued expenses | 10,246 | 13,773 | 24,302 |
| Customer deposits and prepayments | 569 | (175) | 633 |
| Net cash provided by operating activities | 90,631 | 79,537 | 71,611 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (57,668) | (76,323) | (96,367) |
| Proceeds from sale of available-for-sale securities | 9,502 | -- | -- |
| Increase in intangible assets | (4,847) | (1,770) | (7,124) |
| Acquisitions of cable television systems | (247,397) | -- | (83,391) |
| Cash acquired in connection with the acquisition of TCI and Falcon Video Communications, L.P. | -- | -- | 317 |
| Proceeds from sale of cable system | 15,000 | -- | -- |
| Assets retained by the Managing General Partner | -- | -- | (3,656) |
| Other | 1,163 | 1,806 | 1,893 |
| Net cash used in investing activities | (284,247) | (76,287) | (188,328) |
| Cash flows from financing activities: | | | |
| Borrowings from notes payable | 700,533 | 37,500 | 2,388,607 |
| Repayment of debt | (509,511) | (40,722) | (2,244,752) |
| Deferred loan costs | (3,823) | (29) | (25,684) |
| Capital contributions | 5,000 | 93 | -- |
| Redemption of partners' interests | -- | -- | (1,170) |
| Minority interest capital contributions | -- | 192 | 83 |
| Net cash provided by (used in) financing activities | 192,199 | (2,966) | 117,084 |
| Increase (decrease) in cash and cash equivalents | (1,417) | 284 | 367 |
| Cash and cash equivalents, at beginning of year | 15,050 | 13,633 | 13,917 |
| Cash and cash equivalents, at end of year | $ 13,633 | $ 13,917 | $ 14,284 |

See accompanying notes to consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES

FORM OF PRESENTATION

Falcon Communications, L.P., a California limited partnership (the "Partnership") and successor to Falcon Holding Group, L.P. ("FHGLP"), owns and operates cable television systems serving small to medium-sized communities and the suburbs of certain cities in 25 states. 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" or the "Falcon Video Systems"), 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, TCI holds approximately 46% of the equity interests of the Partnership and FHGLP holds the remaining 54% and serves as the managing general partner of the Partnership. The TCI Transaction is being accounted for as a recapitalization of FHGLP into the Partnership and the concurrent acquisition by the Partnership of the TCI Systems.

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. The assets contributed by FHGLP 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.

Prior to closing the TCI Transaction, FHGLP owned and operated cable television systems in 23 states. 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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

outside their interests in the Partnership, nor to any obligations, including income taxes, of the partners.

On July 12, 1996, the Partnership acquired the assets of Falcon Cable Systems Company ("FCSC"), an Affiliated Partnership. The results of operations of these cable systems have been included in the consolidated financial statements from July 12, 1996. Management fees and reimbursed expenses received by the Partnership from FCSC for the period of January 1, 1996 through July 11, 1996 are also included in the consolidated financial statements and have not been eliminated in consolidation. See Note 3.

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, 1996, 1997 and 1998 included $4.1 million, $4.5 million and $345,000 of investments in commercial paper and short-term investment funds of major financial institutions.

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 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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.

In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on Costs of Start-Up Activities". The new standard, which becomes effective for the Partnership on January 1, 1999, requires costs of start-up activities, including certain organization costs, to be expensed as incurred. Previously capitalized start-up costs are to be written off as a cumulative effect of a change in accounting principle. The Partnership believes that adoption of this standard will not have a material impact on the Partnership's financial position or results of operations.

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 is retained by FHGLP.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 1999. The Partnership expects to adopt the new statement effective January 1, 2000. SFAS 133 will require the Partnership to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the changes in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Partnership believes that adoption of SFAS 133 will not have a material impact on the Partnership's financial position or results of operations.

INCOME TAXES

The Partnership and its subsidiaries, except for Falcon First, 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 December 31, 1998, the book basis of the Partnership's net assets exceeded its tax basis by $621.8 million.

REPORTING COMPREHENSIVE INCOME

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," which established standards for the reporting and display of comprehensive income and its components in a full set of comparative general-purpose financial statements. SFAS 130 became effective for the Partnership on January 1, 1998. The Partnership does not currently have items of comprehensive income.

ADVERTISING COSTS

All advertising costs are expensed as incurred.

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.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the 1998 presentation.

NOTE 2 -- PARTNERSHIP MATTERS

The Amended and Restated Agreement of Limited Partnership of FCLP ("FCLP Partnership Agreement") provides that profits and losses will be allocated, and distributions will be made, in proportion to the partners' percentage interests. FHGLP is the managing general partner and a limited partner and owns a 54% interest in FCLP, and TCI is a general partner and owns a 46% interest. The partners' percentage interests are 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. To the extent the relative net fair market values of the assets contributed to FCLP under the Contribution Agreement, as finally determined, are different from the estimates used to calculate the partners' percentage interests, one or the other of the partners will be required to make an additional cash capital contribution to FCLP so as to cause the partners' capital contributions to be in proportion to their percentage interests. Any such additional cash contribution is required to be made only to the extent of distributions by FCLP to the contributing partner. Any such additional cash contribution must be accompanied by interest at 9% per year from the date of closing or, in certain cases, from the date on which FCLP incurred any liability that affected the net fair market value of the parties' capital contributions.

At any time after September 30, 2005, either TCI or FHGLP can offer to sell to the other partner the offering partner's entire partnership interest in FCLP for a negotiated price. The partner receiving such an offer may accept or reject the offer. If the partner receiving such an offer rejects it, the offering partner may elect to cause FCLP to be liquidated and dissolved in accordance with the FCLP Partnership Agreement.

The Partnership expires on July 1, 2013. The Partnership will be dissolved prior to its expiration date under certain circumstances, including the withdrawal of FHGLP as the managing general partner (unless the partners vote to continue the Partnership), the sale of substantially all of the Partnership's assets, and at the election by TCI in the event of changes in FCLP's key management.

The FCLP Partnership Agreement provides for an Advisory Committee consisting of six individual representatives, three of whom are appointed by FHGLP, two of whom are appointed by TCI and one of whom is appointed by joint designation of FHGLP and TCI. The FCLP Partnership Agreement prohibits FCLP from taking certain actions without the affirmative vote of a majority of the members of the Advisory Committee, including, but not limited to, the following: (1) the acquisition or disposition of assets under certain circumstances; and (2) conducting or entering into any line of business other than the ownership and operation of cable television systems and related and ancillary businesses.

The FCLP Partnership Agreement further prohibits the Partnership from taking certain actions without the affirmative approval of TCI, including, but not limited to, the following: (1) any merger, consolidation, recapitalization or other reorganization, with certain permitted exceptions;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(2) the acquisition or disposition of assets under certain circumstances; (3) any sale or disposition of assets that would result in the allocation of taxable income or gain to TCI; (4) incurring indebtedness if, after giving effect to such indebtedness, FCLP's Operating Cash Flow Ratio, as defined, would exceed 8.0:1 through April 15, 2000 and 7.5:1 thereafter; (5) the issuance or redemption of any partnership interest or convertible interest, with certain permitted exceptions; (6) any transaction with FHGLP or any affiliate of FHGLP, with certain permitted exceptions; (7) the adoption or amendment of any management incentive plan; (8) the incurring of Net Overhead Expenses, as defined, that exceed 4.5% of the gross revenues of FCLP and its subsidiaries in any fiscal year; or (9) the liquidation or dissolution of FCLP, except in accordance with the provisions of the FCLP Partnership Agreement.

TCI may elect to purchase all of FHGLP's interests in the Partnership in certain circumstances if a court finds that FHGLP has engaged in conduct while acting as Managing General Partner that has resulted in material harm to the Partnership or TCI.

Prior to the closing of the TCI Transaction, the FHGLP Partnership Agreement gave certain partners of FHGLP certain rights and priorities with respect to other partners. Among these rights were stated obligations of the Partnership to redeem certain partners' partnership interests at fair value or, in some cases, at stated value. These rights and priorities were eliminated upon the closing of the TCI Transaction. At the closing of the TCI Transaction, a portion of the partnership interests held by certain FHGLP limited partners, having an agreed value of $154.7 million, were redeemed for cash.

Under the amended FHGLP partnership agreement, the non-management limited partners of FHGLP may elect at certain times either to require the incorporation of FHGLP or to require that FHGLP elect to incorporate FCLP. Neither of these elections may be made prior to March 30, 2006. If the non-management limited partners of FHGLP make either of these elections, then, at any time more than six months after the election and prior to the date on which the incorporation is completed, the non-management limited partners of FHGLP may elect to require that FCLP (or, if FHGLP has purchased all of TCI's interest in FCLP, FHGLP) purchase all of the non-management partners' partnership interests in FHGLP. Under certain circumstances, a non-management limited partner of FHGLP may elect to exclude its partnership interest in FHGLP from the purchase and sale and, upon such election, all put and call rights with respect to such partner's partnership interest in FHGLP will terminate.

The put and call rights with respect to the partnership interests of the non-management partners will terminate automatically if either FHGLP or FCLP is incorporated, if the corporation that succeeds to the assets of FHGLP or FCLP concurrently effects an initial public offering, and if the aggregate price to the public (before underwriting discounts or commissions, registration fees, and other expenses) of all stock sold in the public offering (including stock sold by any selling shareholders, but excluding stock of a different class from that acquired by the non-management partners in the incorporation) is at least $150 million.

At any time on or after April 1, 2006, FCLP (or, if FHGLP has purchased all of TCI's interest in FCLP, FHGLP) may require that each of the non-management limited partners of FHGLP sell its entire interest in FHGLP to FCLP or FHGLP, as applicable. In the case of either a put or a call of the non-management limited partners' interests in FHGLP, the purchase price will equal the amount that would be distributed to each partner in dissolution and liquidation of FHGLP, assuming the sale of FCLP's assets at fair market value, as determined by three appraisers.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The estimated redemption values at December 31, 1997 and December 31, 1998 were $171.4 million and $133 million, respectively, and are reflected in the consolidated financial statements as redeemable partners' equity. Such amounts were determined based on management's estimate of the redemption value of such interests under current market conditions. Management of the Partnership will continue to adjust the recorded redemption values based on its estimate of the relative fair value of the interests subject to redemption. The actual redemption value of any partnership interests will generally be determined through the third-party appraisal mechanisms described in the partnership agreements, and the appraisers will not be bound by management's estimates. Accordingly, such appraised valuations may be greater than or less than management's estimates and any such variations could be significant.

While the Partnership has assumed the obligations of FHGLP under the 1993 Incentive Performance Plan (the "Incentive Performance Plan"), FHGLP has agreed to contribute cash to the Partnership in an amount equal to any payments made by the Partnership under the Incentive Performance Plan.

NOTE 3 -- ACQUISITIONS AND SALES

The Partnership acquired the cable television systems of FCSC on July 12, 1996 through a newly-formed subsidiary operating partnership for a purchase price of $253 million including transaction costs. The acquisition of FCSC was accounted for by the purchase method of accounting, whereby the purchase price of the FCSC assets was allocated based on an appraisal. The excess of purchase price over the fair value of net assets acquired, or $18.2 million, has been recorded as goodwill and is being amortized using the straight-line method over 20 years.

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.

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 SYSTEMS | FALCON VIDEO SYSTEMS | FALCON 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 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

| | TCI SYSTEMS | FALCON VIDEO SYSTEMS | FALCON CLASSIC SYSTEMS |
|---|---|---|---|
| | | (DOLLARS IN THOUSANDS) | |
| 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 allocation of the purchase price may be subject to possible adjustment pursuant to the Contribution Agreement.

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.

Sources and uses of funds for each of the transactions were as follows:

| | TCI SYSTEMS | FALCON VIDEO SYSTEMS | FALCON CLASSIC 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

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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, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| Revenues | $ 399,449 | $ 424,994 | $ 426,827 |
| Expenses | (429,891) | (438,623) | (444,886) |
| Operating loss | (30,442) | (13,629) | (18,059) |
| Interest and other expenses | (126,904) | (115,507) | (130,632) |
| Loss before extraordinary item | $(157,346) | $(129,136) | $(148,691) |

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 11% Senior Subordinated Notes, 8.375% Senior Debentures and 9.285% Senior Discount Debentures is based on quoted market prices for those issues of debt. 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:

| | 1997 | | 1998 | |
|---|---|---|---|---|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| | (DOLLARS IN THOUSANDS) | | | |
| Cash and cash equivalents | $ 13,917 | $ 13,917 | $ 14,284 | $ 14,284 |
| Notes payable (Note 6): | | | | |
| 11% Senior Subordinated Notes | 282,193 | 299,125 | -- | -- |
| 8.375% Senior Debentures | -- | -- | 375,000 | 382,500 |
| 9.285% Senior Discount Debentures | -- | -- | 294,982 | 289,275 |
| Bank credit facilities | 606,000 | 606,000 | 926,000 | 926,000 |
| Other Subordinated Notes | 15,000 | 16,202 | 15,000 | 16,426 |
| Capitalized lease obligations | 10 | 10 | 1 | 1 |
| Other | 8,018 | 8,018 | 370 | 370 |

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| | NOTIONAL AMOUNT | FAIR VALUE | NOTIONAL AMOUNT | FAIR VALUE |
|---|---|---|---|---|
| Interest Rate Hedging Agreements (Note 6): | | | | |
| Interest rate swaps | $585,000 | $ (371) | $1,534,713 | $(22,013) |
| Interest rate caps | 25,000 | (148) | -- | -- |

The carrying value of interest rate swaps and caps was an asset of $402,000 at December 31, 1997 and a net obligation of $20.3 million at December 31, 1998. See Note 6(g). The amount of debt on which current interest expense has been affected is $520 million and $960 million for swaps at December 31, 1997 and 1998 and $25 million for caps at December 31, 1997. The balance of the contract totals presented above reflects contracts entered into as of December 31 which do not become effective until existing contracts expire.

NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

| | DECEMBER 31, 1997 | DECEMBER 31, 1998 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| Cable television systems | $ 555,253 | $ 765,641 |
| Furniture and equipment | 19,067 | 25,576 |
| Vehicles | 12,067 | 18,381 |
| Land, buildings and improvements | 10,723 | 16,505 |
| | 597,110 | 826,103 |
| Less accumulated depreciation and amortization | (272,551) | (320,209) |
| | $ 324,559 | $ 505,894 |

NOTE 6 -- NOTES PAYABLE

Notes payable consist of:

| | DECEMBER 31, 1997 | DECEMBER 31, 1998 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| FCLP (formerly FHGLP) Only: | | |
| 11% Senior Subordinated Notes(a) | $282,193 | $ -- |
| 8.375% Senior Debentures(b) | -- | 375,000 |
| 9.285% Senior Discount Debentures, less unamortized discount(b) | -- | 294,982 |
| Capitalized lease obligations | 10 | 1 |
| Owned Subsidiaries: | | |
| Amended and Restated Credit Agreement(c) | 606,000 | -- |
| New Credit Facility(d) | -- | 926,000 |
| Other subordinated notes(e) | 15,000 | 15,000 |
| Other(f) | 8,018 | 370 |
| | $911,221 | $1,611,353 |

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(a) 11% Senior Subordinated Notes

On March 29, 1993, FHGLP issued $175 million aggregate principal amount of 11% Senior Subordinated Notes due 2003 (the "Notes"). Interest payment dates were semi-annual on each March 15 and September 15 commencing September 15, 1993. Through September 15, 2000 FHGLP, at its option, could pay all or any portion of accrued interest on the Notes by delivering to the holders thereof, in lieu of cash, additional Notes having an aggregate principal amount equal to the amount of accrued interest not paid in cash. Through December 31, 1997, the Partnership elected to issue $107.2 million additional notes as payment-in-kind for interest. The Partnership elected to pay the interest payment due March 15, 1998 in cash and, under the terms of the Notes, was required to continue to make cash payments.

On May 19, 1998, FHGLP repurchased approximately $247.8 million aggregate principal amount of the Notes for an aggregate purchase price of $270.3 million pursuant to a fixed spread tender offer for all outstanding Notes. The Notes tendered represented approximately 88% of the Notes previously outstanding. The approximate $34.4 million of Notes not repurchased in the tender offer were redeemed on September 15, 1998 in accordance with their terms.

(b) 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 annual rate of 9.285% until April 15, 2003. The unamortized discount amounted to $140.3 million at December 31, 1998. 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.

(c) Amended and Restated Credit Agreement

The Partnership had a $775 million senior secured Amended and Restated Credit Agreement that was scheduled to mature on July 11, 2005. The Amended and Restated Credit Agreement required the Partnership to make annual reductions of $1 million on the term loan portion commencing December 31, 1997. Maximum available borrowings under the Amended and Restated Credit Agreement were $774 million at December 31, 1997. The Amended and Restated Credit Agreement required interest on the amount outstanding under the reducing revolver portion to be tied to the ratio of consolidated total debt (as defined) to consolidated annualized cash flow (as defined). Interest rates were based on LIBOR or prime rates at the option of the Partnership. The LIBOR margin under the reducing revolver ranged from 0.75% to 1.625%, while interest on the term loan was at the LIBOR rate plus 2.375%.

At December 31, 1997, the weighted average interest rate on borrowings outstanding under the Amended and Restated Credit Agreement (including the effects of the interest rate hedging agreements) was 7.69%. The Partnership was also required to pay a commitment fee per annum on the unused portion.

(d) New Credit Facility

On June 30, 1998, the Partnership entered into a new $1.5 billion senior credit facility (the "New Credit Facility") which replaced the Amended and Restated Credit Agreement and provided funds for the closing of the TCI Transaction. See Note 1. The borrowers under the New 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 New 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 New Credit Facility.

The New Credit Facility consists 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 Amended and Restated Credit Agreement 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 New 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 New 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.

(e) Other subordinated notes

Other subordinated notes consist of 11.56% Subordinated Notes due March 2001. The subordinated note agreement contains certain covenants which are substantially the same as the

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covenants under the New Credit Facility, which is described in (d) above. At December 31, 1998, management believes that the Partnership was in compliance with such covenants.

(f) Other

Other notes payable as of December 31, 1997 consisted of $7.5 million owed by Enstar Finance Company, LLC ("EFC"). FHGLP's interest in EFC was not contributed to FCLP on September 30, 1998. Consequently, EFC's obligations are excluded from those of the Partnership as of December 31, 1998.

(g) 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 New Credit Facility 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 December 31, 1998, borrowings under the New Credit Facility bore interest at an average rate of 7.55% (including the effect of interest rate hedging agreements). The Partnership has entered into fixed interest rate hedging agreements with an aggregate notional amount at December 31, 1998 of $1.485 billion, including contracts of $160 million assumed from Falcon Video in connection with the TCI Transaction. Agreements in effect at December 31, 1998 totaled $910 million, with the remaining $575 million to become effective as certain of the existing contracts mature during 1999 through October of 2004. These agreements expire at various times through October, 2006. In addition to these agreements, the Partnership has one interest rate swap contract with a notional amount of $25 million under which it pays variable LIBOR rates and receives fixed rate payments.

The hedging agreements resulted in additional interest expense of $1 million, $350,000 and $1.2 million for the years ended December 31, 1996, 1997 and 1998, respectively. The Partnership does not believe that it has any significant risk of exposure to non-performance by any of its counterparties.

(h) Debt Maturities

The Partnership's notes payable outstanding at December 31, 1998 mature as follows:

| YEAR | 8.375% SENIOR DEBENTURES | 9.285% SENIOR DEBENTURES | NOTES TO BANKS | OTHER SUBORDINATED NOTES | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| | | | (DOLLARS IN THOUSANDS) | | | |
| 1999 | $ -- | $ -- | $ 5,000 | $ -- | $371 | $ 5,371 |
| 2000 | -- | -- | 5,000 | -- | -- | 5,000 |
| 2001 | -- | -- | 5,000 | 15,000 | -- | 20,000 |
| 2002 | -- | -- | 5,000 | -- | -- | 5,000 |
| 2003 | -- | -- | 5,000 | -- | -- | 5,000 |
| Thereafter | 375,000 | 435,250 | 901,000 | -- | -- | 1,711,250 |

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(i) Extraordinary Item

Fees and expenses incurred in connection with the repurchase of 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 the Amended and Restated Credit Agreement, which amounted to $10.9 million in the aggregate, were written off as an extraordinary charge upon the extinguishment of the related debt.

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 December 31, 1998 are as follows:

| YEAR | TOTAL (DOLLARS IN THOUSANDS) |
|---|---|
| 1999 | $ 2,758 |
| 2000 | 2,545 |
| 2001 | 2,264 |
| 2002 | 1,919 |
| 2003 | 1,119 |
| Thereafter | 4,449 |
| | $15,054 |

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 $2.1 million in 1996, $2.4 million in 1997 and $3.1 million in 1998.

In addition, the Partnership rents line space on utility poles in some of the franchise areas it serves. These rentals amounted to $2.8 million for 1996, $3.1 million for 1997 and $3.9 million for 1998. 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 December 31, 1998 to rebuild certain existing cable systems at a cost of approximately $83 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, 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, but may elect to acquire additional programming services through the TCI affiliate in the future. 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 or results of operations of the Partnership.

The Partnership, certain of its affiliates, and certain third parties have been 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, pending in the Superior Court of the State of California, County of Los Angeles (the "Action"). Plaintiffs in the Action are certain former unitholders of 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 alleges, 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 has been agreed to and will be presented to the court for approval on April 22, 1999. The terms of the settlement, if approved, are not expected to have a material adverse effect on the financial condition of the Partnership. Net of insurance proceeds, the settlement's cost to the Partnership would amount to approximately $2.7 million, all of which had been reserved as of December 31, 1998. The Partnership recognized expenses related to the settlement of $52,000, $145,000 and $2.5 million in 1996, 1997 and 1998, respectively.

## 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. There were no contributions for the Profit Sharing Plan in 1996, 1997 or 1998.

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 is 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 are 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 are payable under the Incentive Plan only when distributions would otherwise be paid to FHGI with respect to the above-described units and interests. The Incentive Plan is scheduled to terminate on January 5, 2003, at which time the Partnership is required to distribute the units described above to the participants in the Incentive Plan. At such time, FHGLP is required to cause the units to be contributed to the Partnership to fund such distributions. The participants in the Incentive Plan are present and former employees of the Partnership, FHGLP and its operating affiliates, all of whom are 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 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

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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.

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 Amended and Restated Credit Agreement and, subsequently, the New 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, effective July 12, 1996. 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 $1.9 million, $2 million and $1.9 million for the years ended December 31, 1996, 1997 and 1998, respectively.

The management and consulting fees and expense reimbursements earned from the Affiliated Partnerships amounted to approximately $6.3 million and $3.7 million, $5.2 million and $2.1 million and $3.7 million and $1.5 million for the years ended December 31, 1996, 1997 and 1998, respectively. The fees and expense reimbursements of $6.3 million and $3.7 million earned in 1996 included $1.5 million and $1 million earned from FCSC from January 1, 1996 through July 11, 1996. 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 FCSC, Falcon Classic and Falcon Video Systems became subject to the limitations contained in the Amended and Restated Credit Agreement and, subsequently, the New Credit Facility.

Receivables from the Affiliated Partnerships for services and reimbursements described above amounted to approximately $11.3 million and $2.3 million (which, in 1997, included $7.5 million of notes receivable from the Enstar partnerships) at December 31, 1997 and 1998.

Included in Commitments and Contingencies (Note 7) are two facility lease agreements with the Partnership's Chief Executive Officer and his wife, or entities owned by them, requiring annual future minimum rental payments aggregating $2.1 million through 2001, one facility being assumed by a subsidiary as part of the assets acquired on July 12, 1996 from FCSC. That subsidiary acquired the property in February 1999 for $282,500, a price determined by two independent appraisals. During the years ended December 31, 1996, 1997 and 1998 rent expense on the first facility amounted to $397,000, $383,000 and $416,000, respectively. The rent paid for the second facility for the period July 12, 1996 through December 31, 1996 amounted to

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approximately $18,000, and the amount paid in each of 1997 and 1998 was approximately $41,000.

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 $118,300, $163,000 and $212,000 for the years ended December 31, 1996, 1997 and 1998, respectively. These costs were net of amounts reimbursed to the Partnership by the Chief Executive Officer amounting to $75,000, $55,000 and $72,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

NOTE 10 -- OTHER INCOME (EXPENSE)

Other income (expense) is comprised of the following:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| Gain on sale of Available-for-Sale Securities | $ 2,264 | $ -- | $ -- |
| Gain on insured casualty losses | -- | 3,476 | 314 |
| Write down of investment | (1,000) | -- | -- |
| Gain (loss) on sale of investment | -- | (1,360) | 174 |
| Net lawsuit settlement costs | -- | (1,030) | (2,614) |
| Other, net | (450) | (201) | (791) |
| | $ 814 | $ 885 | $(2,917) |

NOTE 11 -- SUBSEQUENT EVENTS

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. The unit will continue to be headquartered in the Denver area. Leo J. Hindery, Jr., who had been president of Tele-Communications, Inc. since January 1997, was named President and Chief Executive Officer of AT&T Broadband & Internet Services, which became the owner of TCI Falcon Holdings, LLC as a result of the merger.

The Partnership entered into a letter of intent with AT&T to form a joint venture. This joint venture would provide local or any-distance communications services, other than mobile wireless services, video entertainment services and high speed Internet access services, to residential and certain small business customers under the AT&T brand name over the Partnership's infrastructure. Formation of the joint venture is subject to certain conditions. The Partnership is unable to predict if or when such conditions will be met.

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NOTE 12 -- SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

OPERATING ACTIVITIES

During the years ended December 31, 1996, 1997 and 1998, the Partnership paid cash interest amounting to approximately $39.7 million, $48.1 million and $84.9 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, the Falcon Classic Systems and FCSC.

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, the Falcon Classic Systems and FCSC. See Note 2 regarding the reclassification to redeemable partners' equity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 13 -- 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 condensed balance sheet information for 1997 and condensed statement of operations information through September 30, 1998 is for FHGLP (parent only). The accompanying condensed financial information should be read in conjunction with the consolidated financial statements and notes thereto.

CONDENSED BALANCE SHEET INFORMATION

| | DECEMBER 31, | |
|---|---|---|
| | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | |
| ASSETS: | | |
| Cash and cash equivalents | $ 8,177 | $ 1,605 |
| Receivables: | | |
| Intercompany notes and accrued interest receivable | 226,437 | 655,128 |
| Due from affiliates and other entities, of which $23,374,000 was contractually restricted or otherwise deferred at December 31, 1997 (see Note 9) | 25,340 | 2,129 |
| Prepaid expenses and other | 711 | 236 |
| Investments in affiliated partnerships | 12,827 | -- |
| Other investments | 1,519 | -- |
| Property, plant and equipment, less accumulated depreciation and amortization | 1,323 | 3,599 |
| Deferred loan costs, less accumulated amortization | 4,846 | 20,044 |
| | $ 281,180 | $ 682,741 |
| LIABILITIES: | | |
| Notes payable | $ 10 | $ -- |
| Senior notes payable | 282,193 | 669,982 |
| Notes payable to affiliates | -- | 70,805 |
| Accounts payable | 179 | 135 |
| Accrued expenses | 14,025 | 14,000 |
| Equity in net losses of subsidiaries in excess of investment | 230,155 | 198,492 |
| TOTAL LIABILITIES | 526,562 | 953,414 |
| REDEEMABLE PARTNERS' EQUITY | 171,373 | 133,023 |
| PARTNERS' DEFICIT | (416,755) | (403,696) |
| | $ 281,180 | $ 682,741 |

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FCLP (PARENT COMPANY ONLY)
CONDENSED STATEMENT OF OPERATIONS INFORMATION

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| REVENUES: | | | |
| Management fees: | | | |
| Affiliated Partnerships | $ 3,962 | $ 2,873 | $ 2,120 |
| Subsidiaries | 12,020 | 13,979 | 14,010 |
| International and other | 413 | 281 | 33 |
| Total revenues | 16,395 | 17,133 | 16,163 |
| EXPENSES: | | | |
| General and administrative expenses | 9,096 | 11,328 | 21,134 |
| Depreciation and amortization | 375 | 274 | 559 |
| Total expenses | 9,471 | 11,602 | 21,693 |
| Operating income (loss) | 6,924 | 5,531 | (5,530) |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 19,884 | 22,997 | 50,562 |
| Interest expense | (27,469) | (30,485) | (59,629) |
| Equity in net losses of subsidiaries | (50,351) | (56,422) | (105,659) |
| Equity in net losses of investee partnerships | (73) | (4) | (31) |
| Other, net | 1,100 | (2,455) | -- |
| Net loss before extraordinary item | (49,985) | (60,838) | (120,287) |
| Extraordinary item, retirement of debt | -- | -- | (24,196) |
| NET LOSS | $(49,985) | $(60,838) | $(144,483) |

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FCLP (PARENT COMPANY ONLY)
CONDENSED STATEMENT OF CASH FLOWS INFORMATION

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | (DOLLARS IN THOUSANDS) | | |
| Net cash provided by (used in) | | | |
| Operating activities | $(8,969) | $1,478 | $(418,226) |
| Cash flows from investing activities: | | | |
| Distributions from affiliated partnerships | 773 | -- | 1,820 |
| Capital expenditures | (242) | (417) | (2,836) |
| Investments in affiliated partnerships and other investments | (9,000) | (254) | (2,998) |
| Proceeds from sale of investments and other assets | 3 | 702 | 1,694 |
| Proceeds from sale of available-for-sale securities | 9,502 | -- | -- |
| Assets retained by Falcon Holding Group, L.P. | -- | -- | (2,893) |
| Net cash provided by (used in) investing activities | 1,036 | 31 | (5,213) |
| Cash flows from financing activities: | | | |
| Repayment of debt | (120) | (131) | (282,203) |
| Borrowings from notes payable | -- | -- | 650,639 |
| Borrowings from subsidiaries | -- | -- | 70,805 |
| Capital contributions | 5,000 | 93 | -- |
| Redemption of partners' equity | -- | -- | (1,170) |
| Deferred loan costs | -- | -- | (21,204) |
| Net cash provided by (used in) financing activities | 4,880 | (38) | 416,867 |
| Net increase (decrease) in cash and cash equivalents | (3,053) | 1,471 | (6,572) |
| Cash and cash equivalents, at beginning of year | 9,759 | 6,706 | 8,177 |
| Cash and cash equivalents, at end of year | $ 6,706 | $8,177 | $ 1,605 |

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | DECEMBER 31, 1998* | JUNE 30, 1999 |
|---|---|---|
| | | (UNAUDITED) |
| | (DOLLARS IN THOUSANDS) | |
| ASSETS: | | |
| Cash and cash equivalents | $ 14,284 | $ 11,852 |
| Receivables: | | |
| Trade, less allowance of $670,000 and $699,000 for possible losses | 15,760 | 19,102 |
| Affiliates | 2,322 | 6,949 |
| Other assets | 16,779 | 35,007 |
| Property, plant and equipment, less accumulated depreciation and amortization of $320,209,000 and $349,316,000 | 505,894 | 522,587 |
| Franchise cost, less accumulated amortization of $226,526,000 and $251,998,000 | 397,727 | 384,197 |
| Goodwill, less accumulated amortization of $25,646,000 and $30,547,000 | 135,308 | 133,480 |
| Customer lists and other intangible costs, less accumulated amortization of $59,422,000 and $97,912,000 | 333,017 | 300,314 |
| Deferred loan costs, less accumulated amortization of $2,014,000 and $2,352,000 | 24,331 | 23,354 |
| | $1,445,422 | $1,436,842 |
| LIABILITIES AND PARTNERS' DEFICIT | | |
| LIABILITIES: | | |
| Notes payable | $1,611,353 | $1,665,676 |
| Accounts payable | 10,341 | 6,088 |
| Accrued expenses | 83,077 | 138,804 |
| Customer deposits and prepayments | 2,257 | 2,630 |
| Deferred income taxes | 8,664 | 2,287 |
| Minority interest | 403 | 387 |
| TOTAL LIABILITIES | 1,716,095 | 1,815,872 |
| COMMITMENTS AND CONTINGENCIES | | |
| REDEEMABLE PARTNERS' EQUITY | 133,023 | 400,471 |
| PARTNERS' EQUITY (DEFICIT): | | |
| General partner | (408,369) | (783,100) |
| Limited partners | 4,673 | 3,599 |
| TOTAL PARTNERS' DEFICIT | (403,696) | (779,501) |
| | $1,445,422 | $1,436,842 |

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*As presented in the audited financial statements.

See accompanying notes to condensed consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | SIX MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1999 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) (UNAUDITED) | |
| REVENUES | $133,332 | $ 212,205 |
| OPERATING COSTS AND EXPENSES: | | |
| Programming costs | 25,933 | 47,233 |
| Service costs | 14,124 | 25,545 |
| General and administrative expenses | 24,516 | 39,779 |
| Equity-based deferred compensation | -- | 44,600 |
| Depreciation and amortization | 64,006 | 110,048 |
| Total operating costs and expenses | 128,579 | 267,205 |
| Operating income (loss) | 4,753 | (55,000) |
| OTHER INCOME (EXPENSE): | | |
| Interest expense, net | (44,699) | (64,852) |
| Equity in net loss of investee partnerships | (266) | 163 |
| Other income (expense), net | (824) | 9,807 |
| Income tax benefit | 1,831 | 2,459 |
| NET LOSS BEFORE EXTRAORDINARY ITEMS | $(39,205) | $(107,423) |
| EXTRAORDINARY ITEMS | (28,412) | -- |
| NET LOSS | $(67,617) | $(107,423) |

See accompanying notes to condensed consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | SIX MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1999 |
|---|---|---|
| | (DOLLARS IN THOUSANDS) (UNAUDITED) | |
| Net cash provided by operating activities | $ 13,558 | $ 36,697 |
| Cash flows from investing activities: | | |
| Acquisition of cable television systems | (76,789) | (16,450) |
| Capital expenditures | (38,609) | (59,034) |
| Increase in intangible assets | (1,102) | (2,151) |
| Other | 1,065 | (2,107) |
| Net cash used in investing activities | (115,435) | (79,742) |
| Cash flows from financing activities: | | |
| Borrowings from notes payable | 1,445,957 | 68,500 |
| Repayment of debt | (1,224,683) | (27,871) |
| Deferred loan costs | (23,944) | (16) |
| Other | 83 | -- |
| Net cash provided by financing activities | 197,413 | 40,613 |
| Net increase (decrease) in cash and cash equivalents | 95,536 | (2,432) |
| Cash and cash equivalents at beginning of period | 13,917 | 14,284 |
| Cash and cash equivalents at end of period | $ 109,453 | $ 11,852 |

See accompanying notes to condensed consolidated financial statements.

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- BASIS OF PRESENTATION

Falcon Communications, L.P., a California limited partnership (the "Partnership") and successor to Falcon Holding Group, L.P. ("FHGLP"), owns and operates cable television systems serving small to medium-sized communities and the suburbs of certain cities in 23 states. 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" or the "Falcon Video systems"), 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"). 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 the owner of TCI Falcon Holdings, LLC as a result of the merger. As a result, AT&T Broadband and Internet Services holds approximately 46% of the equity interests of the Partnership and FHGLP holds the remaining 54% and serves 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.

On May 26, 1999, the Partnership and Charter Communications ("Charter") announced a definitive agreement in which Charter will acquire the Partnership in a cash and stock transaction valued at approximately $3.6 billion. Closing of the pending sale is subject to obtaining all necessary government approvals, and is anticipated to take place in the fourth quarter of 1999.

NOTE 2 -- INTERIM FINANCIAL STATEMENTS

The interim financial statements for the six months ended June 30, 1999 and 1998 are unaudited. These condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Partnership's latest Annual Report on Form 10-K. In the opinion of management, such statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of such periods. The results of operations for the six months ended June 30, 1999 are not indicative of results for the entire year.

NOTE 3 -- REDEEMABLE PARTNERS' EQUITY

Redeemable partners' equity has been adjusted as of June 30, 1999 based on the estimated redemption value to be recognized from the pending sale to Charter.

NOTE 4 -- EQUITY-BASED DEFERRED COMPENSATION

In connection with the pending sale of the Partnership to Charter discussed in Note 1, the Partnership recorded a non-cash charge of $42 million during the three months ended June 30, 1999 related to both the 1993 Incentive Performance Plan ($17.2 million) and the 1999 Employee Restricted Unit Plan ($24.8 million). The amounts were determined based on the value of the underlying ownership units, as established by the pending sale of the Partnership to Charter. $2.6 million of additional compensation related to the 1993 Incentive Performance Plan was recorded in the three months ended March 31, 1999 based on management's estimate of the increase in value of the underlying ownership interests since December 31, 1998. Payments under the plans are subject to closing of the sale to Charter, and will be paid from net sales

FALCON COMMUNICATIONS, L.P.
(SUCCESSOR TO FALCON HOLDING GROUP, L.P.)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

proceeds. The total deferred compensation of $44.6 million under these plans is included in accrued expenses.

NOTE 5 -- ACQUISITIONS

In March 1998, the Partnership acquired substantially all of the assets of Falcon Classic Cable Income Properties, L.P. 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. The following unaudited condensed consolidated pro forma statement of operations presents the consolidated results of operations of the Partnership as if the acquisitions had occurred at January 1, 1998 and is not necessarily indicative of what would have occurred had the acquisitions been made as of that date or of results which may occur in the future.

| | SIX MONTHS ENDED JUNE 30, 1998 |
|---|---|
| | (DOLLARS IN THOUSANDS) |
| Revenues | $ 213,639 |
| Expenses | (221,238) |
| Operating loss | (7,599) |
| Interest and other expenses | (63,951) |
| Net loss | $ (71,550) |

In January 1999, the Partnership acquired the assets of certain cable systems located in Oregon for $800,700. The acquired systems serve approximately 591 customers, and are being operated as part of the Medford region. On March 15, 1999, the Partnership acquired the assets of certain cable systems located in Utah for $6.8 million. This system serves approximately 7,928 customers and is being operated as part of the St. George region. 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 $8.3 million. The Franklin system serves approximately 9,042 customers and the Scottsburg systems served approximately 4,507 customers. The effects of this transaction on results of operations are not material. On July 30, 1999, the Partnership acquired the assets of certain cable systems serving 6,500 customers located in Oregon for $9.5 million.

NOTE 6 -- RECENT DEVELOPMENTS

On April 8, 1999, the Partnership announced that it had executed a term sheet with regard to a joint venture to be formed called @Home Solutions, which would offer turnkey, fully managed and comprehensive high speed Internet access to cable operators serving small to medium-sized communities, including the Partnership. In connection with the sale of the Partnership to Charter as discussed in Note 1, the Partnership withdrew from the @Home Solutions joint venture and reimbursed @Home Solutions $500,000 for costs incurred.

NOTE 7 -- SALE OF SYSTEMS

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., who 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 $3.2 million and recognized a gain of $2.5 million.

# 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

# TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

## COMBINED BALANCE SHEETS

| | SEPTEMBER 30, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| | (AMOUNTS IN THOUSANDS) | |
| ASSETS | | |
| Trade and other receivables, net | $ 2,452 | $ 4,665 |
| Property and equipment, at cost: | | |
| Land | 1,289 | 1,232 |
| Distribution systems | 151,017 | 137,767 |
| Support equipment and buildings | 20,687 | 18,354 |
| | 172,993 | 157,353 |
| Less accumulated depreciation | 80,404 | 69,857 |
| | 92,589 | 87,496 |
| Franchise costs | 399,258 | 393,540 |
| Less accumulated amortization | 70,045 | 62,849 |
| | 329,213 | 330,691 |
| Other assets, net of accumulated amortization | 630 | 714 |
| | $424,884 | $423,566 |
| LIABILITIES AND PARENT'S INVESTMENT | | |
| Accounts payable | $ 729 | $ 350 |
| Accrued expenses | 5,267 | 3,487 |
| Deferred income taxes (note 4) | 124,586 | 121,183 |
| Total liabilities | 130,582 | 125,020 |
| 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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED STATEMENTS OF OPERATIONS AND PARENT'S INVESTMENT

| | JANUARY 1, 1998 THROUGH SEPTEMBER 30, 1998 | YEARS ENDED DECEMBER 31, 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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED STATEMENTS OF CASH FLOWS

| | JANUARY 1, 1998 THROUGH SEPTEMBER 30, 1998 | YEARS ENDED DECEMBER 31, 1997 | YEARS ENDED DECEMBER 31, 1996 |
|---|---|---|---|
| | (AMOUNTS IN THOUSANDS) | | |
| Cash flows from operating activities: | | | |
| Net earnings | $ 7,935 | $ 12,551 | $ 9,926 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 17,757 | 22,509 | 20,261 |
| Deferred income tax expense | 3,403 | 7,181 | 4,533 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Change in receivables | 2,213 | (1,644) | (55) |
| Change in other assets | 84 | (125) | (248) |
| Change in accounts payable and accrued expenses | 2,159 | 418 | (473) |
| Net cash provided by operating activities | 33,551 | 40,890 | 33,944 |
| Cash flows from investing activities: | | | |
| Capital expended for property and equipment | (13,540) | (7,586) | (13,278) |
| Cash paid for acquisitions | -- | -- | (68,240) |
| Other investing activities | (809) | 221 | 732 |
| Net cash used in investing activities | (14,349) | (7,365) | (80,786) |
| Cash flows from financing activities: | | | |
| Change in due to TCI | (19,202) | (33,525) | 46,842 |
| Net cash provided by (used in) financing activities | (19,202) | (33,525) | 46,842 |
| Net change in cash | -- | -- | -- |
| Cash: | | | |
| Beginning of period | -- | -- | -- |
| End of period | $ -- | $ -- | $ -- |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the period for interest | $ 4,343 | $ 5,832 | $ 4,701 |
| Cash paid during the period for income taxes | $ -- | $ 140 | $ 86 |

See accompanying notes to combined financial statements.

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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

(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) |

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 THROUGH SEPTEMBER 30, 1998 | YEARS ENDED DECEMBER 31, 1997 | 1996 |
|---|---|---|---|
| | (AMOUNTS IN THOUSANDS) | | |
| Computed "expected" tax expense | $(4,607) | $(7,476) | $(5,658) |
| Amortization not deductible for tax purposes | (198) | (265) | (178) |
| State and local income taxes, net of federal income tax benefit | (406) | (948) | (382) |
| Other | (17) | (119) | (21) |
| | $(5,228) | $(8,808) | $(6,239) |

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, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| | (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 | 100,486 | 100,326 |
| 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, 1998 | DECEMBER 31, 1997 |
|---|---|---|
| | (AMOUNTS IN THOUSANDS) | |
| Due to TCI | $ 642,228 | $224,668 |
| Retained earnings (deficit) | (347,926) | 73,878 |
| | $ 294,302 | $298,546 |

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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

The intercompany advances and expense allocation activity in amounts due to TCI consists of the following:

| | JANUARY 1, 1998 THROUGH SEPTEMBER 30, 1998 | YEARS ENDED DECEMBER 31, 1997 | 1996 |
|---|---|---|---|
| | (AMOUNTS IN THOUSANDS) | | |
| Beginning of period | $224,668 | $258,193 | $211,351 |
| Transfer of cable system acquisition purchase price | 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.

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.

TCI FALCON SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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 AUDITORS

The Management Committee
TWFanch-one Co. and TWFanch-two Co.

We have audited the accompanying combined balance sheets of Fanch Cable Systems (comprised of components of TWFanch-one Co. and TWFanch-two Co.), as of December 31, 1998 and 1997, and the related combined statements of operations, net assets and cash flows for the years then ended. These financial statements are the responsibility of Fanch Cable System'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 Fanch Cable Systems at December 31, 1998 and 1997, and the combined results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP
Denver, Colorado

March 11, 1999
except for Notes 1 and 8, as to which the dates are
May 12, 1999 and June 22, 1999, respectively

# FANCH CABLE SYSTEMS
## (COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

## COMBINED BALANCE SHEETS

| | DECEMBER 31 1998 | DECEMBER 31 1997 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ -- | $ -- |
| Accounts receivable, less allowance for doubtful accounts of $406,230 and $412,119 in 1998 and 1997, respectively | 2,681,911 | 2,573,619 |
| Prepaid expenses and other current assets | 1,546,251 | 790,034 |
| Total current assets | 4,228,162 | 3,363,653 |
| Property, plant and equipment: | | |
| Transmission and distribution systems and related equipment | 170,156,150 | 141,800,640 |
| Furniture and equipment | 7,308,581 | 5,553,886 |
| | 177,464,731 | 147,354,526 |
| Less accumulated depreciation | (34,878,712) | (19,011,830) |
| Net property, plant and equipment | 142,586,019 | 128,342,696 |
| Goodwill, net of accumulated amortization of $63,029,579 and $46,771,501, in 1998 and 1997, respectively | 266,776,690 | 282,543,281 |
| Subscriber lists, net of accumulated amortization of $15,023,945 and $8,900,365, in 1998 and 1997, respectively | 17,615,055 | 23,738,635 |
| Other intangible assets, net of accumulated amortization of $2,723,918 and $1,586,203, in 1998 and 1997, respectively | 2,717,486 | 4,237,237 |
| Other assets | 1,050,815 | 50,315 |
| Total assets | $434,974,227 | $442,275,817 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | $ 11,755,752 | $ 9,685,993 |
| Subscriber advances and deposits | 1,797,068 | 1,987,336 |
| Payable to general partner | 2,576,625 | 1,895,456 |
| Total current liabilities | 16,129,445 | 13,568,785 |
| Net assets | 418,844,782 | 428,707,032 |
| Total liabilities and net assets | $434,974,227 | $442,275,817 |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF OPERATIONS

| | YEAR ENDED DECEMBER 31 | |
|---|---|---|
| | 1998 | 1997 |
| Revenues: | | |
| Service | $107,881,831 | $102,455,766 |
| Installation and other | 16,672,813 | 15,079,103 |
| | 124,554,644 | 117,534,869 |
| Operating expenses, excluding depreciation and amortization | 36,927,860 | 35,609,829 |
| Selling, general and administrative expenses | 18,296,290 | 19,496,885 |
| | 55,224,150 | 55,106,714 |
| Income before other expenses | 69,330,494 | 62,428,155 |
| Other expenses: | | |
| Depreciation and amortization | 40,918,647 | 58,089,015 |
| Management fees | 3,170,784 | 3,012,943 |
| Loss on disposal of assets | 6,246,237 | 2,746,920 |
| Other expense, net | 181,185 | 128,554 |
| | 50,516,853 | 63,977,432 |
| Net income (loss) | $ 18,813,641 | $ (1,549,277) |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF NET ASSETS
YEARS ENDED DECEMBER 31, 1998 AND 1997

| | TOTAL |
|---|---|
| Net assets at December 31, 1996 | $471,180,470 |
| Net loss | (1,549,277) |
| Net distributions to partners | (40,924,161) |
| Net assets at December 31, 1997 | 428,707,032 |
| Net income | 18,813,641 |
| Net distributions to partners | (28,675,891) |
| Net assets at December 31, 1998 | $418,844,782 |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF CASH FLOWS

| | YEAR ENDED DECEMBER 31 | |
|---|---|---|
| | 1998 | 1997 |
| OPERATING ACTIVITIES | | |
| Net income (loss) | $ 18,813,641 | $ (1,549,277) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 40,918,647 | 58,089,015 |
| Loss on disposal of assets | 6,246,237 | 2,746,920 |
| Decrease (increase) in accounts receivable, prepaid expenses and other current assets | (864,509) | 1,754,581 |
| (Decrease) increase in accounts payable and other accrued liabilities and subscriber advances and deposits | 2,560,660 | (3,214,781) |
| Net cash provided by operating activities | 67,674,676 | 57,826,458 |
| INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (38,114,463) | (16,863,419) |
| Additions to intangible assets | (1,109,951) | (466,470) |
| Proceeds from the disposal of assets | 225,629 | 427,592 |
| Net cash used in investing activities | (38,998,785) | (16,902,297) |
| FINANCING ACTIVITIES | | |
| Net distributions to partners | (28,675,891) | (40,924,161) |
| Net cash used in financing activities | (28,675,891) | (40,924,161) |
| Net change in cash and cash equivalents | -- | -- |
| Cash and cash equivalents at beginning of year | -- | -- |
| Cash and cash equivalents at end of year | $ -- | $ -- |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1998

1. BASIS OF PRESENTATION

ACQUISITION BY CHARTER COMMUNICATIONS, INC. AND BASIS OF PRESENTATION

TWFanch-one Co. and TWFanch-two Co. (collectively the "Partnerships"), both of which are Delaware general partnerships, are affiliated through common control and management. Pursuant to a purchase agreement, dated May 12, 1999 between certain partners of TWFanch-one Co. and TWFanch-two Co. and Charter Communications, Inc. ("Charter"), the partners of the Partnerships entered into a distribution agreement whereby the Partnerships will distribute and/or sell certain of their cable systems ("Combined 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. The Combined Systems may have some liabilities related to refunds of programming launch credits that are due at the date of the acquisition by Charter. The refund of these credits is contingent upon the acquisition by Charter occurring and the amount will vary based upon the actual sale date.

Accordingly, these 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. 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 Partnerships' centralized cash management system, the cash requirements of its individual operating units were generally provided directly by the Partnerships and the cash generated or used by the Combined Systems was transferred to/from the Partnerships, as appropriate, through the use of intercompany accounts. The resulting intercompany account balances between the Partnerships and the Combined Systems are not intended to be settled. Accordingly, the balances are excluded or 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 distributions to partners in the combined statements of cash flows. The Partnerships maintain external debt to fund and manage operations on a centralized basis. Debt, unamortized loan costs and interest expense of the Partnerships have not been allocated to the

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Combined Systems. As such, the debt, unamortized 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:

| | |
|---|---|
| Transmission and distribution systems and related equipment | 3 to 20 years |
| Furniture and equipment | 4 to 8 1/2 years |

### INCOME TAXES

The Partnerships as entities pay no income taxes, except for an immaterial amount in Michigan. No provision or benefit for income taxes is reported by any of the Combined Systems because the Combined Systems are currently owned by 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. Launch support fees collected from programmers are deferred and recognized over the term of the contract. 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 have exceeded installation revenue.

### 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 | 20 years (10 in 1997) |
| Subscriber list | 5 years |
| Other, including franchise costs | 4 -- 10 years |

The estimated useful life of goodwill was changed from 10 years in 1997 to 20 years 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.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Amortization expense was $23,519,373 and $43,094,595 for the years ended December 31, 1998 and 1997, respectively.

3. DISPOSAL OF ASSETS

During 1998 and 1997, a loss on disposal of assets was recognized on plant that was replaced to technically upgrade the system and for other operational purposes. The loss on the disposal of assets is summarized as follows:

| | 1998 | 1997 |
|---|---|---|
| Cost | $ 8,004,258 | $3,467,785 |
| Accumulated depreciation | (1,532,392) | (293,273) |
| Proceeds | (225,629) | (427,592) |
| Loss on disposal | $ 6,246,237 | $2,746,920 |

4. PURCHASE AND SALE OF SYSTEMS

On March 30, 1997, the Combined Systems acquired cable television systems, including plant, franchise license and business license, serving communities in the states of Pennsylvania and Virginia. The purchase price was $1,400,000, 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, franchise and business license, for $340,000. No gain or loss on this transaction was recorded.

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.

5. RELATED PARTIES

The Partnerships have entered into a management agreement with an entity (the "Manager") whose sole stockholder is affiliated with several of the Partnerships' general partners. The Partnerships also entered into a management agreement with another of the Partnerships' general partners (the "General Partner"). The agreements provide that the Manager and General Partner will manage their respective systems and receive annual compensation equal to 2.5% of the gross revenues from operations for their respective systems. Management fees for the years ended December 31, 1998 and 1997 were $3,170,784 and $3,012,943, respectively.

A company affiliated with the Manager provides subscriber billing services for a portion of the Combined Systems' subscribers. The Combined Systems incurred fees for monthly billing and related services in the approximate amounts of $308,943 and $307,368 for the years ended December 31, 1998 and 1997, respectively.

The Combined Systems purchase the majority of its programming through the Partnerships' General Partner. Fees incurred for programming were approximately $24,600,000 and $22,200,000 for the years ended December 31, 1998 and 1997, respectively.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The Manager and General Partner pay amounts on behalf of and receive 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 Manager and General Partner.

6. COMMITMENTS

The Combined Systems, as an integral part of its cable operations, has 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 years ended December 31, 1998 and 1997 was approximately $2,326,328 and $2,154,961, respectively. The majority of these agreements are on month-to-month arrangements and, accordingly, the Combined Systems has no material future minimum commitments related to these leases.

7. EMPLOYEE BENEFIT PLAN

TWFanch-one Co. and TWFanch-two Co. 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 $342,067 and $288,493 for the years ended December 31, 1998 and 1997, respectively.

8. SUBSEQUENT EVENTS

On July 8, 1998, the Combined Systems entered into an Asset Purchase Agreement to acquire cable television systems, including plant, franchise license and business license, serving communities in the states of Maryland, Ohio and West Virginia. The purchase price was $248,000,000, subject to purchase price adjustments. The transaction was completed and the assets were transferred to the Combined Systems on February 24, 1999.

On June 12, 1998, the Combined Systems entered into an agreement to acquire cable television systems, including plant, franchise licenses, and business licenses serving communities in the state of Michigan. The purchase price was $42,000,000, 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.

On January 15, 1999 the Combined Systems entered into an agreement to acquire cable television systems, including plant, franchise licenses, 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 under a new TWFanch-two partnership agreement.

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 $50,000,000 subject to purchase price adjustments. The transaction was completed and the assets were transferred to the Combined Systems on June 22, 1999.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Unaudited pro forma operating results as though the acquisitions discussed above had occurred on January 1, 1998, with adjustments to give effect to amortization of franchises and certain other adjustments for the year ended December 31, 1998 is as follows:

| | |
|---|---|
| Revenues | $197,803,975 |
| Income from operations | $107,053,905 |
| Net income | $ 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.

9. YEAR 2000 (UNAUDITED)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Combined Systems' computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Based on recent assessments, the Combined Systems determined that it will be required to modify or replace portions of its software and certain hardware so that those systems will properly utilize dates beyond December 31, 1999. The Combined Systems presently believe that with modifications or replacements of existing software and certain hardware, the Year 2000 issue can be mitigated. However, if such modifications and replacements are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Combined Systems. The Combined Systems believe any cost for the necessary modification or replacement will not be material to the Combined Systems' operations.

The Combined Systems have queried its significant suppliers and subcontractors that do not share information systems with the Combined Systems (external agents). To date, the Combined Systems are aware of external agents with Year 2000 issues that would materially impact the Combined Systems' results of operations, liquidity or capital resources, if these issues are not addressed. Such agents have represented that they are in the process of addressing these issues and expect to have these issues materially resolved by December 31, 1999. However, the Combined Systems have no means of ensuring that external agents will be Year 2000 ready. The inability of external agents to complete their Year 2000 resolution process in a timely fashion could materially impact the Combined Systems. The effect of noncompliance by external agents is not determinable.

Management of the Combined Systems believes it has an effective program in place to resolve material Year 2000 issues in a timely manner. The Combined Systems have contingency plans for certain critical applications and are working on such plans for others.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED BALANCE SHEETS

| | JUNE 30 1999 | DECEMBER 31 1998 |
|---|---|---|
| | (UNAUDITED) | |
| ASSETS | | |
| Current assets: | $ -- | $ -- |
| Accounts receivable, less allowance for doubtful accounts of $637,290 and $406,230 in 1999 and 1998, respectively | 2,336,387 | 2,681,911 |
| Prepaid expenses and other current assets | 1,145,297 | 1,546,251 |
| Total current assets | 3,481,684 | 4,228,162 |
| Property, plant and equipment: | | |
| Transmission and distribution systems and related equipment | 262,358,553 | 170,156,150 |
| Furniture and equipment | 10,576,311 | 7,308,581 |
| | 272,934,864 | 177,464,731 |
| Less accumulated depreciation | (47,798,021) | (34,878,712) |
| Net property, plant and equipment | 225,136,843 | 142,586,019 |
| Intangible assets, net of accumulated amortization of $97,736,092 and $80,777,442 in 1999 and 1998, respectively | 604,605,789 | 287,109,231 |
| Other assets | 40,310 | 1,050,815 |
| Total assets | $833,264,626 | $434,974,227 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | $ 21,622,379 | $ 11,755,752 |
| Subscriber advances and deposits | 2,501,429 | 1,797,068 |
| Payable to general partner | -- | 2,576,625 |
| Total current liabilities | 24,123,808 | 16,129,445 |
| Net assets | 809,140,818 | 418,844,782 |
| Total liabilities and net assets | $833,264,626 | $434,974,227 |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF OPERATIONS

| | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|
| | 1999 | 1998 |
| | (UNAUDITED) | |
| Revenues: | | |
| Service | $80,422,935 | $56,149,864 |
| Installation and other | 9,934,295 | 5,666,114 |
| | 90,357,230 | 61,815,978 |
| Operating expenses, excluding depreciation and amortization | 28,064,816 | 18,007,042 |
| Selling, general and administrative expenses | 12,373,069 | 9,186,774 |
| | 40,437,885 | 27,193,816 |
| Income before other expenses | 49,919,345 | 34,622,162 |
| Other expenses: | | |
| Depreciation and amortization | 29,877,959 | 20,086,252 |
| Management fees | 2,215,696 | 1,545,212 |
| (Gain)/loss on disposal of assets | (59,354) | (4,001) |
| Other expense, net | (43,754) | 142,859 |
| | 31,990,547 | 21,770,322 |
| Net income | $17,928,798 | $12,851,840 |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF NET ASSETS
SIX MONTHS ENDED JUNE 30, 1999 AND 1998
(UNAUDITED)

| | TOTAL |
|---|---|
| Net assets at December 31, 1997 | $428,707,032 |
| Net income for the six months ended June 30, 1998 | 12,851,840 |
| Net distributions to partners | (7,481,713) |
| Net assets at June 30, 1998 | $434,077,159 |
| Net assets at December 31, 1998 | $418,844,782 |
| Net income for the six months ended June 30, 1999 | 17,928,798 |
| Contributions from partners, net of distributions | 372,367,238 |
| Net assets at June 30, 1999 | $809,140,818 |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

COMBINED STATEMENTS OF CASH FLOWS

| | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|
| | 1999 | 1998 |
| | (UNAUDITED) | |
| OPERATING ACTIVITIES | | |
| Net income | $ 17,928,798 | $ 12,851,840 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 29,877,959 | 20,086,252 |
| Loss/(gain) on disposal of assets | (59,354) | (4,001) |
| Decrease/(Increase) in accounts receivable, prepaid expenses and other current assets | 1,756,983 | (1,978,090) |
| Increase (decrease) in accounts payable and other accrued liabilities, and subscriber advances and deposits and deferred revenue | 7,994,363 | (3,093,260) |
| Net cash provided by operating activities | 57,498,749 | 27,862,741 |
| INVESTING ACTIVITIES | | |
| Acquisition of cable systems | (410,655,208) | |
| Purchases of property, plant and equipment | (19,210,779) | (20,381,028) |
| Net cash used in investing activities | (429,865,987) | (20,381,028) |
| FINANCING ACTIVITIES | | |
| Net contributions from (distribution to) partners | 372,367,238 | (7,481,713) |
| Net cash (used in) provided by financing activities | 372,367,238 | (7,481,713) |
| Net change in cash and cash equivalents | -- | -- |
| Cash and cash equivalents at beginning of year | -- | -- |
| Cash and cash equivalents at end of year | $ -- | $ -- |

See accompanying notes.

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 1999

1. BASIS OF PRESENTATION

ACQUISITION BY CHARTER COMMUNICATIONS, INC. AND BASIS OF PRESENTATION

TWFanch-one Co. and TWFanch-two Co. (collectively the "Partnerships"), both of which are Delaware general partnerships, are affiliated through common control and management. Pursuant to a purchase agreement, dated May 21, 1999 between certain partners of TWFanch-one Co. and TWFanch-two Co. and Charter Communications, Inc. ("Charter"), the partners of the Partnership entered into a distribution agreement whereby the partnerships will distribute and/or sell certain of their cable systems ("Combined Systems") to certain of their respective partners. These partners will then sell the Combined Systems through a combination of asset sales and sale of equity and partnership interests to Charter.

Accordingly, these combined financial statements of the Combined Systems reflect "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. 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.

The accompanying combined financial statements as of and for the periods ended June 30, 1999 and 1998 are unaudited. However, in the opinion of management, the financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for fair presentation in accordance with generally accepted accounting principles applicable to interim periods. Interim results of operations are not indicative of results for the full year. The accompanying financial statements should be read in conjunction with the audited combined financial statements of Fanch Cable Systems (comprised of components of TWFanch-one Co. and TWFanch-two Co.).

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 Partnerships' centralized cash management system, cash requirements of its individual operating units were generally provided directly by the Partnerships and the cash

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

generated or used by the Combined Systems was transferred to/from the Partnerships, as appropriate, through the intercompany accounts. The intercompany account balances between the Partnerships and the Combined Systems are not intended to be settled. Accordingly, the balances are excluded/included in net assets and all the cash generated from operations, investing activities and financing activities have been included in the Combined Systems' net distributions from/to partners in the combined statements of cash flows. The Partnerships maintain all external debt to fund and manage operations on a centralized basis. Debt, unamortized loan costs and interest expense of the Partnerships have not been allocated to the Combined Systems. As such debt, unamortized loan costs, and related interest expense are not representative of the debt that would be required or interest expense incurred if the Combined Systems were a separate legal entity.

2. ACQUISITIONS

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.

On June 12, 1998, the Combined Systems entered into an agreement to acquire cable television systems, including plant, franchise license, and business license 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.

On July 8, 1998, the Combined Systems entered into an Asset Purchase Agreement to acquire cable television systems, including plant, franchise license and business license, 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.

On January 15, 1999 the Combined Systems entered into an agreement to acquire cable television systems, including plant, franchise license, and business license 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 under a new TWFanch-two partnership agreement.

Unaudited proforma operating results as though the acquisitions discussed above had occurred on January 1, 1998, with adjustments to give effect to amortization of franchises and certain other adjustments are as follows:

| | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|
| | 1999 | 1998 |
| Revenues | $131,527,873 | $98,263,557 |
| Income from operations | $ 71,104,843 | $52,227,958 |
| Net income | $ 30,561,993 | $18,465,907 |

FANCH CABLE SYSTEMS
(COMPRISED OF COMPONENTS OF TWFANCH-ONE CO. AND TWFANCH-TWO CO.)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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.

BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

| | DECEMBER 31, 1998 | JUNE 30, 1999 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 6,636 | $ 2,488 |
| Restricted cash | 47,199 | 338 |
| Trade and other receivables, net | 8,874 | 8,917 |
| Property and equipment, at cost: | | |
| Land and buildings | 4,123 | 6,708 |
| Distribution systems | 443,114 | 469,677 |
| Support equipment | 50,178 | 56,651 |
| | 497,415 | 533,036 |
| Less accumulated depreciation | 190,752 | 202,160 |
| | 306,663 | 330,876 |
| Franchise costs, net | 291,103 | 324,990 |
| Other assets, net of accumulated amortization | 3,961 | 23,515 |
| Total assets | $664,436 | $ 691,124 |
| LIABILITIES AND MEMBER'S EQUITY (DEFICIT) | | |
| Accounts payable | $ 3,193 | $ 5,442 |
| Accrued expenses | 13,395 | 20,503 |
| Accrued interest | 21,835 | 17,573 |
| Due to affiliated companies | -- | 3,698 |
| Debt | 232,617 | 846,364 |
| Other liabilities | 11,648 | 6,015 |
| Total liabilities | 282,688 | 899,595 |
| Member's equity (deficit) | 381,748 | (208,471) |
| Commitments and contingencies (note 5) | | |
| Total liabilities and member's equity (deficit) | $664,436 | $ 691,124 |

See accompanying notes to consolidated financial statements.

BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)
(UNAUDITED)
(IN THOUSANDS)

| | SIX MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1999 |
|---|---|---|
| Revenue | $126,453 | $ 137,291 |
| Operating costs and expenses: | | |
| Programming (note 4) | 31,198 | 35,752 |
| Operating | 14,382 | 15,698 |
| Selling, general and administrative (note 4) | 25,863 | 32,806 |
| Depreciation and amortization | 26,441 | 26,035 |
| | 97,884 | 110,291 |
| Operating income | 28,569 | 27,000 |
| Other income (expense): | | |
| Interest expense: | | |
| Related party (note 4) | (944) | (152) |
| Other | (8,484) | (31,789) |
| Gain (loss) on sale of cable television systems | 6,869 | (170) |
| Other, net | (9) | (437) |
| | (2,568) | (32,548) |
| Net earnings (loss) | 26,001 | (5,548) |
| Member's equity (deficit) | | |
| Beginning of period | 359,098 | 381,748 |
| Operating expense allocations and charges | 134,079 | 35,850 |
| Cash transfers, net | (58,793) | -- |
| Capital contributions by members | -- | 136,500 |
| Capital distributions to members | -- | (757,021) |
| End of period | $360,385 | $(208,471) |

See accompanying notes to consolidated financial statements.

BRESNAN COMMUNICATIONS GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

| | SIX MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1999 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings (loss) | $ 26,001 | $ (5,548) |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,441 | 26,035 |
| Loss (gain) on sale of cable systems | (6,869) | 169 |
| Amortization of deferred financing costs | -- | 2,746 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Change in receivables | 3,152 | (5,766) |
| Change in other assets | 284 | (3,858) |
| Change in accounts payable, accrued expenses and other liabilities | (1,194) | 9,223 |
| Net cash provided by operating activities | 47,815 | 23,001 |
| Cash flows from investing activities: | | |
| Capital expended for property and equipment | (17,236) | (22,827) |
| Capital expended for franchise costs | (3,534) | (811) |
| Cash paid in acquisitions | (16,500) | (64,763) |
| Proceeds on dispositions of cable televisions systems | 12,000 | 4,097 |
| Change in restricted cash | (12,000) | 46,861 |
| Net cash used in investing activities | (37,270) | (37,443) |
| Cash flows from financing activities: | | |
| Borrowings under note agreement | 33,400 | 867,751 |
| Repayments under note agreement | (15,301) | (254,004) |
| Deferred finance costs paid | -- | (18,781) |
| Contributions from members | -- | 136,500 |
| Distributions to members | (24,764) | (721,172) |
| Net cash provided by financing activities | (6,665) | 10,294 |
| Net increase (decrease) in cash | 3,880 | (4,148) |
| Cash and cash equivalents: | | |
| Beginning of period | 6,957 | 6,636 |
| End of period | $ 10,837 | $ 2,488 |
| Supplemental disclosure of cash flow information -- cash paid during the period for interest | $ 8,895 | $ 33,457 |

See accompanying notes to consolidated financial statements.

BRESNAN COMMUNICATIONS GROUP LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(UNAUDITED)
(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"). 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 Tele-Communications, Inc. ("TCI") contributed certain cable television systems along with assumed TCI debt of approximately $708,854 to BCCLP. In addition, Blackstone BC Capital Partners L.P. 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, as reflected in Bresnan Communication Group Systems financial statements, because of the common ownership and control of TCI and have been reflected in the accompanying financial statements in a manner similar to pooling of interests.

The Company owns and operates cable television systems in small- and medium-sized communities in the midwestern United States.

The accompanying interim consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of such periods. The results of operations for the period ended June 30, 1999 are not necessarily indicative of results for a full year. These consolidated financial statements should be read in conjunction with the combined financial statements and notes thereto of the predecessor to the Company contained in the Bresnan Communications Group Systems financial statements for the year ended December 31, 1998.

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.

(2) ACQUISITIONS AND DISPOSITIONS

In February 1998, the Company acquired certain cable television assets located in Michigan which were accounted for under the purchase method. The purchase price was allocated to the cable television assets acquired in relation to their fair values as increase in property and equipment of $3,703 and franchise costs of $12,797. In addition, the Company acquired two additional systems in the first quarter of 1999 which were accounted for under the purchase method. The purchase prices were allocated to the cable television assets acquired in relation to their estimated fair values as increases in property and equipment of $22,200 and franchise costs of $44,600.

BRESNAN COMMUNICATIONS GROUP LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
JUNE 30, 1999
(UNAUDITED)
(IN THOUSANDS)

The results of operations of these cable television systems have been included in the accompanying consolidated statements of operations from their dates of acquisition. Pro forma information has not been presented because the effect was not significant.

The Company also disposed of cable television systems during 1998 and 1999 for gross proceeds of $12,000 and $4,400 respectively, resulting in a gain (loss) on sale of cable television systems of $6,869 and $(170) for 1998 and 1999, respectively. The results of operations of these cable television systems through the dates of the dispositions and the gain (loss) from the dispositions have been included in the accompanying consolidated statements of operations. As part these dispositions, the Company received cash that is restricted to reinvestment in additional cable television systems.

(3) DEBT

Debt is summarized as follows:

| | JUNE 30, 1999 |
|---|---|
| Senior Credit Facility(a) | $500,000 |
| Senior Notes Payable(b) | 170,000 |
| Senior Discount Notes Payable(b) | 175,021 |
| Other Debt | 1,343 |
| | $846,364 |

- - ---------------

(a) The Senior Credit Facility represents borrowings under a $650,000 senior reducing revolving credit and term loan facility as documented in the loan agreement as of February 2, 1999. The Senior Credit Facility calls for a current available commitment of $650,000 of which $500,000 is outstanding at June 30, 1999. The Senior Credit Facility provides for three tranches, a revolving loan tranche for $150,000 (the "Revolving Loan"), a term loan tranche of $328,000 (the "A Term Loan" and together with the Revolving Loan, "Facility A") and a term loan tranche of $172,000 (the "Facility B").

The commitments under the Senior Credit Facility will reduce commencing with the quarter ending March 31, 2002. Facility A permanently reduces in quarterly amounts ranging from 2.5% to 7.5% of the Facility A amount starting March 31, 2002 and matures approximately eight and one half years after February 2, 1999. Facility B is also to be repaid in quarterly installments of .25% of the Facility B amount beginning in March 2002 and matures approximately nine years after February 2, 1999, on which date all remaining amounts of Facility B will be due and payable. Additional reductions of the Senior Credit Facility will also be required upon certain asset sales, subject to the right of the Company and its subsidiaries to reinvest asset sale proceeds under certain circumstances. The interest rate options include a LIBOR option and a Prime Rate option plus applicable margin rates based on the Company's total leverage ratio, as defined. In addition, the Company is required to pay a commitment fee on the unused revolver portion of Facility A which will accrue at a rate ranging from .25% to .375% per annum, depending on the Company's total leverage ratio, as defined.

The rate applicable to balances outstanding at June 30, 1999 ranged from 7.00% to 7.85%. Covenants of the Senior Credit Facility require, among other conditions, the maintenance of specific levels of the ratio of cash flows to future debt and interest expense and certain limitations on additional investments, indebtedness, capital expenditures, asset sales and affiliate transactions.

(b) On February 2, 1999, the Company sold $170,000 aggregate principal amount senior notes payable (the "Senior Notes"). In addition, on the same date, the Company issued $275,000 aggregate principal amount at maturity of senior discount notes, (the "Senior Discount Notes") for approximately $175,000 gross proceeds (collectively the "Notes").

The Senior Notes are unsecured and will mature on February 1, 2009. The Senior Notes bear interest at 8% per annum payable semi-annually on February 1 and August 1 of each year, commencing August 1, 1999.

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% of the applicable principal amount and accreted value, respectively. 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 6 "Proposed Sale of the Company").

BTC has entered into interest rate swap agreements to effectively fix or set maximum interest rates on a portion of its floating rate long-term debt. BTC is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements.

At June 30, 1999, such Interest Rate Swap agreements effectively fixed or set a maximum LIBOR base interest rates between 5.84% and 8.08% on an aggregate notional principal amount of $110,000 which rates would become effective upon the occurrence of certain events. The effect of the Interest Rate Swap on interest expense for the six months ended

June 30, 1998 and 1999 was not significant. The expiration dates of the Interest Rate Swaps ranges from August 25, 1999 to April 3, 2000. The difference between the fair market value and book value of long-term debt and the Interest Rate Swaps at June 30, 1998 and 1999 is not significant.

(4) 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 $28,118 and $30,810 for the six months ended June 30, 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 predecessor to BCG 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 BCG provide administrative services and have assumed managerial responsibilities of BCG. As compensation for these services BCG pays a monthly fee equal to approximately 3% of gross revenues. Such aggregate charges totaled $5,961 and $5,040 and have been included in selling, general and administrative expenses for the six months ended June 30, 1998 and 1999, respectively.

(5) 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 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 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 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.

BCG leases business offices, has entered into pole attachment agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $1,582 and $1,691 during the six months ended June 30, 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 other properties.

During 1999, BCG has continued enterprise-wide comprehensive efforts to assess and remediate its respective computer systems and related software and equipment to ensure such systems, software and equipment recognize, process and store information in the year 2000 and thereafter. Such year 2000 remediation efforts include an assessment of its most critical systems, such as customer service and billing systems, headends and other cable plant, business support operations, and other equipment and facilities. BCG also continued its efforts to verify the year 2000 readiness of its significant suppliers and vendors and continued to communicate with significant business partners and affiliates to assess affiliates' year 2000 status.

BCG has formed a year 2000 program management team to organize and manage its year 2000 remediation efforts. The program management team is responsible for overseeing, coordinating and reporting on its respective year 2000 remediation efforts.

During 1999, the project management team continued its surveys of significant third-party vendors and suppliers whose systems, services or products are important to its operations (e.g., suppliers of addressable controllers and set-top boxes, and the provider of billing services). BCG has instituted a verification process to determine the vendors' year 2000 readiness. Such verification includes, as deemed necessary, reviewing vendors' test and other data and engaging in regular conferences with vendors' year 2000 teams. BCG is also requiring testing to validate the year 2000 compliance of certain critical products and services. The year 2000 readiness of such providers is critical to continued provision of cable service.

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 systems of BCG or the systems of other companies on which they rely will be converted in time, or that any such failure to convert by BCG or other companies will not have a material adverse effect on the financial position, results of operations or cash flows of BCG.

(6) PROPOSED 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 which will be reduced by the assumption of BCCLP's debt at closing. BCCLP anticipates that this transaction will close in the first half of 2000.

# INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tele-Communications, Inc.:

We have audited the accompanying combined balance sheets of Bresnan Communications Group Systems, (as defined in Note 1 to the combined financial statements) as of December 31, 1997 and 1998, and the related combined statements of operations and Parents' investment 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 Bresnan Communications Group Systems 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 Bresnan Communications Group Systems, 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

Denver, Colorado
April 2, 1999

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED BALANCE SHEETS
DECEMBER 31, 1997 AND 1998

| | 1997 | 1998 |
|---|---|---|
| | (AMOUNTS IN THOUSANDS) | |
| ASSETS | | |
| Cash and cash equivalents | $ 6,957 | $ 6,636 |
| Restricted cash (note 3) | -- | 47,199 |
| Trade and other receivables, net | 11,700 | 8,874 |
| Property and equipment, at cost: | | |
| Land and buildings | 5,229 | 4,123 |
| Distribution systems | 410,158 | 443,114 |
| Support equipment | 45,687 | 50,178 |
| | 461,074 | 497,415 |
| Less accumulated depreciation | 157,618 | 190,752 |
| | 303,456 | 306,663 |
| Franchise costs, net | 291,746 | 291,103 |
| Other assets, net of accumulated amortization | 3,339 | 3,961 |
| Total assets | $617,198 | $664,436 |
| LIABILITIES AND PARENTS' INVESTMENT | | |
| Accounts payable | $ 2,071 | $ 3,193 |
| Accrued expenses | 11,809 | 13,395 |
| Accrued interest | 20,331 | 21,835 |
| Debt | 214,170 | 232,617 |
| Other liabilities | 9,719 | 11,648 |
| Total liabilities | 258,100 | 282,688 |
| Parents' investment | 359,098 | 381,748 |
| Commitments and contingencies (note 7) | | |
| Total liabilities and Parents' investment | $617,198 | $664,436 |

See accompanying notes to combined financial statements.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED STATEMENTS OF OPERATIONS AND PARENTS' INVESTMENT
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| | (AMOUNTS IN THOUSANDS) | | |
| Revenue | $216,609 | $247,108 | $261,964 |
| Operating costs and expenses: | | | |
| Programming (note 6) | 46,087 | 53,857 | 63,686 |
| Operating | 31,405 | 31,906 | 28,496 |
| Selling, general and administrative (note 6) | 52,485 | 50,572 | 58,568 |
| Depreciation and amortization | 50,908 | 53,249 | 54,308 |
| | 180,885 | 189,584 | 205,058 |
| Operating income | 35,724 | 57,524 | 56,906 |
| Other income (expense): | | | |
| Interest expense: | | | |
| Related party (note 4) | (1,859) | (1,892) | (1,872) |
| Other | (13,173) | (16,823) | (16,424) |
| Gain on sale of cable television systems | -- | -- | 27,027 |
| Other, net | (844) | (978) | (273) |
| | (15,876) | (19,693) | 8,458 |
| Net earnings | 19,848 | 37,831 | 65,364 |
| Parents' investment: | | | |
| Beginning of year | 344,664 | 347,188 | 359,098 |
| Operating expense allocations and charges (notes 4 and 6) | 54,643 | 60,389 | 71,648 |
| Net assets of acquired systems (note 3) | -- | 33,635 | -- |
| Cash transfers, net | (71,967) | (119,945) | (114,362) |
| End of year | $347,188 | $359,098 | $381,748 |

See accompanying notes to combined financial statements.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| | (AMOUNTS IN THOUSANDS) | | |
| Cash flows from operating activities | | | |
| Net earnings | $19,848 | $37,831 | $65,364 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 50,908 | 53,249 | 54,308 |
| Gain on sale of cable television systems | -- | -- | (27,027) |
| Other noncash charges | 1,171 | 2,141 | 452 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Change in receivables | (291) | (3,413) | 2,826 |
| Change in other assets | (144) | 164 | -- |
| Change in accounts payable, accrued expenses and other liabilities | 7,178 | 2,305 | 6,141 |
| Other, net | 473 | 271 | 297 |
| Net cash provided by operating activities | 79,143 | 92,548 | 102,361 |
| Cash flows from investing activities: | | | |
| Capital expended for property and equipment | (78,248) | (33,875) | (58,601) |
| Capital expended for franchise costs | (87) | (1,407) | (157) |
| Cash received in acquisitions | -- | 1,179 | 28,681 |
| Change in restricted cash | -- | -- | (47,199) |
| Net cash used in investing activities | (78,335) | (34,103) | (77,276) |
| Cash flows from financing activities: | | | |
| Borrowings under note agreement | 40,300 | 31,300 | 49,400 |
| Repayments under note agreement | (18,546) | (24,364) | (30,953) |
| Deferred finance costs paid | (595) | (2,121) | (1,139) |
| Change in Parents' investment | (24,259) | (59,556) | (42,714) |
| Net cash used in financing activities | (3,100) | (54,741) | (25,406) |
| Net increase (decrease) in cash | (2,292) | 3,704 | (321) |
| Cash and cash equivalents: | | | |
| Beginning of year | 5,545 | 3,253 | 6,957 |
| End of year | $ 3,253 | $ 6,957 | $ 6,636 |
| Supplemental disclosure of cash flow information -- | | | |
| Cash paid during the year for interest | $12,996 | $16,971 | $16,792 |

See accompanying notes to combined financial statements.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

(1) BASIS OF PRESENTATION AND PARTNERSHIP FORMATION

The financial statements of Bresnan Communications Group Systems are the combination of the financial statements of Bresnan Communications Company Limited Partnership ("BCCLP") and certain additional cable television systems (the "TCI Bresnan Systems") owned by affiliates of Tele-Communications, Inc. ("TCI"). BCCLP and the TCI Bresnan Systems are under the common ownership and control of TCI for all periods presented. Based on such common ownership and control, the accompanying financial statements are presented herein at historical cost on a combined basis and will serve as a predecessor to Bresnan Communications Group LLC. The combined net assets of Bresnan Communications Group Systems are herein referred to as "Parents' investment".

BCCLP is a partnership between a subsidiary of TCI and William J. Bresnan and certain entities which he controls (collectively, the "Bresnan Entities"). BCCLP owns and operates cable television systems principally located in the midwestern United States. TCI and the Bresnan Entities hold 78.4% and 21.6% interests, respectively, in BCCLP.

Certain of the TCI Bresnan Systems have been acquired through transactions whereby TCI acquired various larger cable entities (the "Original Systems"). The accounts of certain of the TCI Bresnan Systems include allocations of purchase accounting adjustments from TCI's acquisition of the Original Systems. Such allocations and the related franchise cost amortization are based upon the relative fair market values of the systems involved. In addition, certain costs of TCI and the Bresnan Entities are charged to the Bresnan Communications Group Systems based on the methodologies described in note 6. Although such allocations are not necessarily indicative of the costs that would have been incurred by the Bresnan Communications Group Systems on a stand alone basis, management of TCI and the Bresnan Entities believe that the resulting allocated amounts are reasonable.

On June 3, 1998, certain affiliates of TCI, the Bresnan Entities, BCCLP and Blackstone Cable Acquisition Company, LLC ("Blackstone") (collectively, the "Partners") entered into a Contribution Agreement. Effective February 2, 1999 under the terms of the contribution agreement, certain systems of affiliates of TCI were transferred to BCCLP along with approximately $708,854 of assumed TCI debt (the "TCI Transaction") which is not reflected in the accompanying combined financial statements. At the same time, Blackstone contributed $136,500 to BCCLP. As a result of these transactions, the Bresnan Entities remain the managing partner of BCCLP, with a 10.2% combined general and limited partner interest, while TCI and Blackstone are 50% and 39.8% limited partners of BCCLP, respectively. The amount of the assumed TCI debt will be adjusted based on certain working capital adjustments at a specified time after the consummation of TCI Transaction. Upon completion of these transactions BCCLP formed a wholly-owned subsidiary, Bresnan Communications Group LLC ("BCG"), into which it contributed all its assets and liabilities. Simultaneous with this transaction Bresnan Communications Group LLC formed a wholly-owned subsidiary, Bresnan Telecommunications Company LLC ("BTC"), into which it contributed all its assets and liabilities.

In anticipation of these transactions, on January 25, 1999, BCG sold $170,000 aggregate principal amount of 8% senior notes (the "Senior Notes") due 2009 and $275,000 aggregate principal amount at maturity (approximately $175,000 gross proceeds) of 9.25% senior discount notes (the "Senior Discount Notes") due 2009. The net proceeds from the offering of the Senior Notes and the Senior Discount Notes approximated $336,000 after giving effect to discounts and commissions. Also, BTC borrowed $508,000 of $650,000 available under a new credit facility (the "Credit Facility").

The proceeds of the Senior Notes, the Senior Discount Notes and the Credit Facility were used to retire the assumed TCI debt and the outstanding debt of the Bresnan Communications group systems prior to the TCI Transaction (see Note 4), as well as the payment of certain fees and expenses. Deferred financing costs of $2.6 million associated with the retired debt will be written off.

After giving effect to the issuance of debt noted above, the unaudited proforma debt outstanding at December 31, 1998 would be $857 million and the Parents' investment would decrease to a deficit position of $206 million at December 31, 1998.

On March 9, 1999, AT&T Corp. ("AT&T") acquired TCI in a merger (the "AT&T Merger"). In the AT&T Merger, TCI became a subsidiary of AT&T.

## (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, 1997 and 1998 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 1996, 1997 and 1998, interest capitalized was $1,005, $324 and $47, respectively.

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 include 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 by Bresnan Communications Group 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.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

(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 based on an analysis of undiscounted cash flow, 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

Bresnan Communications Group Systems 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 hedges; accordingly, amounts receivable or payable under the Interest Rate Swaps are recognized as adjustments to interest expense. Such instruments are not used for trading purposes.

During 1998, the Financial Accounting Standards Board 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, 1999. 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 the net assets comprising the TCI Bresnan Systems and BCCLP 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 Systems will be reported in the respective tax returns of BCG's members (see note 5).

(h) 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 distribution system.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

(i) Combined Statements of Cash Flows

Except for acquisition transactions described in note 3, transactions effected through Parents' investment have been considered constructive cash receipts and payments for purposes of the combined statements of cash flows.

(j) 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 January 1997, affiliates of TCI acquired certain cable television assets located in or around the Saginaw, Michigan area which are included in the TCI Bresnan Systems. TCI's cost basis in such acquired assets has been allocated based on their respective fair values. Such allocation has been reflected in the accompanying combined financial statements as follows:

| | |
|---|---|
| Cash | $ 1,179 |
| Property and equipment | 10,786 |
| Franchise costs | 21,670 |
| Parents' investment | $33,635 |

In addition in 1998, BCCLP 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.

The results of operations of these cable television systems have been included in the accompanying combined statements of operations from their dates of acquisition. Pro forma information on the acquisitions has not been presented because the effects were not significant.

During 1998, BCCLP 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 is designated to be reinvested in certain identified assets for income tax purposes.

(4) DEBT

Debt is summarized as follows:

| | 1997 | 1998 |
|---|---|---|
| Notes payable to banks(a) | $190,300 | $209,000 |
| Notes payable to partners(b) | 22,100 | 22,100 |
| Other debt | 1,770 | 1,517 |
| | $214,170 | $232,617 |

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

- - ---------------

(a) The notes payable to banks represent 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 calls for a current available commitment of $250,000 of which $209,000 is outstanding at December 31, 1998. The Bank Facility provides for two tranches, a revolving loan tranche of $175,000 (the "Revolving Loan Tranche") and a term loan tranche of $75,000 (the "Term Loan Tranche"). The Revolving Loan Tranche is available through March 30, 1999 and then requires quarterly payments/commitment reductions ranging from 2.5% to 7.5% of the principal through its maturity on March 31, 2005. The Term Loan Tranche, fully drawn at closing and maturing March 31, 2006, requires quarterly payments of .25% beginning March 31, 1999 through December 31, 2004, quarterly payments of 2.5% for the year ended December 31, 2005 and 84% of the principal at maturity. The Bank Facility provides for interest at varying rates based on two optional measures: 1) for the Revolving Loan Tranche, the prime rate plus .625% and/or the London Interbank Offered Rate ("LIBOR") plus 1.625% and 2) for the Term Loan Tranche, the prime rate plus 1.75% and/or LIBOR plus 2.75%. The Bank Facility has provisions for certain performance-based interest rate reductions which are available under either interest rate option. In addition, the Bank Facility allows for interest rate swap agreements.

The rates applicable to balances outstanding at December 31, 1998 ranged from 6.815% to 8.000% Covenants of the Bank Facility require, among other conditions, the maintenance of certain earnings, cash flow and financial ratios and include certain limitations on additional investments, indebtedness, capital expenditures, asset sales, management fees and affiliate transactions. Commitment fees of .375% per annum are payable on the unused principal amounts of the available commitment under the Bank Facility, as well as an annual agency fee to a bank of $60. A guarantee in the amount of $3,000, has been provided by one of the BCCLP partners.

Balances outstanding at December 31, 1998 are due as follows:

| | |
|---|---|
| 1999 | $ 14,150 |
| 2000 | 17,500 |
| 2001 | 20,850 |
| 2002 | 24,200 |
| 2003 and thereafter | 132,300 |
| | $209,000 |

(b) The note payable to a partner is comprised of a $25,000 subordinated note of which $22,100 was outstanding at December 31, 1997 and 1998. The note, dated May 12, 1988, is junior and subordinate to the senior debt represented by the notes payable to banks. Interest is to be provided for at the prime rate (as defined) and is payable quarterly, to the extent allowed under the bank subordination agreement, or at the maturity date of the note, which is 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. Applicable interest rates at December 31, 1997 and 1998 were 8.25% and 7.75%, respectively. The note also provides for repayment at any time without penalty, subject to subordination restrictions.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

Bresnan Communications Group Systems has entered into Interest Rate Swaps to effectively fix or set a maximum interest rate on a portion of its floating rate long-term debt. Bresnan Communications Group Systems is exposed to credit loss in the event of nonperformance by the counterparties to the Interest Rate Swaps.

At December 31, 1998, such Interest Rate Swaps effectively fixed or set maximum interest rates between 9.625% and 9.705% on an aggregate notional principal amount of $110,000, which rate would become effective upon the occurrence of certain events. The effect of the Interest Rate Swaps was to increase interest expense by $851, $460, and $19 for the years ended December 31, 1996, 1997 and 1998, respectively. The expiration dates of the Interest Rate Swaps ranges from August 25, 1999 to April 3, 2000. The difference between the fair market value and book value of long-term debt and the Interest Rate Swaps at December 31, 1997 and 1998 is not significant.

(5) INCOME TAXES

Taxable earnings differ from those reported in the accompanying combined 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, 1998, the reported amounts of Bresnan Communications Group Systems' assets exceeded their respective tax bases by approximately $394 million.

(6) TRANSACTIONS WITH RELATED PARTIES

Bresnan Communications Group Systems purchases, at TCI's cost, substantially all of its pay television and other programming from affiliates of TCI. Charges for such programming were $42,897, $48,588 and $58,562 for 1996, 1997 and 1998, respectively, and are included in programming expenses in the accompanying combined financial statements.

Certain affiliates of the Partners provide administrative services to Bresnan Communications Group Systems and have assumed managerial responsibility of Bresnan Communications Group Systems cable television system operations and construction. As compensation for these services, Bresnan Communications Group Systems pays a monthly fee calculated pursuant to certain agreed upon formulas. Such charges totaled $11,746, $11,801 and $13,086 and have been included in selling, general and administrative expenses for years ended December 31, 1996, 1997 and 1998, respectively.

(7) COMMITMENTS AND CONTINGENCIES

On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). In 1993 and 1994, the Federal Communications Commission ("FCC") adopted certain rate regulations required by the 1992 Cable Act and imposed a moratorium on certain rate increases. As a result of such actions, Bresnan Communications Group Systems' basic and tier service rates and its equipment and installation charges (the "Regulated Services") are subject to the jurisdiction of local franchising authorities and the FCC. Basic and tier service rates are evaluated against competitive benchmark rates as published by the FCC, and equipment and installation charges are based on actual costs. Any rates for Regulated Services that exceeded the benchmarks were reduced as required by the 1993 and 1994 rate regulations. The rate regulations do not apply to the relatively few systems which are subject to "effective competition" or to services offered on an individual service basis, such as premium movie and pay-per-view services.

Bresnan Communications Group Systems believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including its rate setting provisions. However, Bresnan Communications Group Systems' rates for Regulated Services are subject to review by the FCC, if a complaint has been filed by a customer, or the appropriate franchise authority, if such authority has been certified by the FCC to regulate rates. 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 tier service rates would be retroactive to the date of complaint. Any refunds of the excess portion of all other Regulated Service rates would be retroactive to one year prior to the implementation of the rate reductions.

Certain of Bresnan Communications Group Systems' individual systems have been named in purported class actions in various jurisdictions concerning late fee charges and practices. Certain of Bresnan Communications Group Systems' cable systems charge late fees to customers who do not pay their cable bills on time. Plaintiffs generally allege that the late fees charged by such cable systems are not reasonably related to the costs incurred by the cable systems as a result of the late payment. Plaintiffs seek to require cable systems to provide compensation for alleged excessive late fee charges for past periods. These cases are at various stages of the litigation process. 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 or results of operations of Bresnan Communications Group Systems.

BCCLP entered into three letters of intent with three different cable operators pursuant to which the BCCLP intends to sell a small cable television system in Michigan and acquire cable television systems in both Michigan and Minnesota. These transactions would result in a net cost to the BCCLP of approximately $63,000, $2,000 was deposited for the acquisition in Michigan. BCCLP expects to fund these transactions through the use of restricted cash, cash flow from operations and additional borrowings.

Bresnan Communications Group Systems has other contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Bresnan Communications Group Systems may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of the management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying combined financial statements.

Bresnan Communications Group Systems leases business offices, has entered into pole attachment agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $3,208, $3,221 and $2,833 in 1996, 1997 and 1998, 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.

BRESNAN COMMUNICATIONS GROUP SYSTEMS
(A COMBINATION OF CERTAIN ASSETS, AS DEFINED IN NOTE 1)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

During 1998, TCI and BCCLP have continued enterprise-wide, comprehensive efforts to assess and remediate their respective computer systems and related software and equipment to ensure such systems, software and equipment will recognize, process and store information in the year 2000 and thereafter. Such year 2000 remediation efforts, which encompass the TCI Bresnan Systems and the Bresnan Entities, respectively, include an assessment of their most critical systems, such as customer service and billing systems, headends and other cable plant, business support operations, and other equipment and facilities. TCI and BCCLP also continued their efforts to verify the year 2000 readiness of their significant suppliers and vendors and continued to communicate with significant business partners' and affiliates to assess such partners and affiliates' year 2000 status.

TCI and BCCLP have formed year 2000 program management teams to organize and manage their year 2000 remediation efforts. The program management teams are responsible for overseeing, coordinating and reporting on their respective year 2000 remediation efforts. Upon consummation of the TCI Transaction, assessment and remediation of year 2000 issues for the TCI Bresnan Systems became the responsibility of BCCLP.

During 1998, the project management teams continued their surveys of significant third-party vendors and suppliers whose systems, services or products are important to their operations (e.g., suppliers of addressable controllers and set-top boxes, and the provider of billing services). The year 2000 readiness of such providers is critical to continued provision of cable service.

TCI and BCCLP have instituted a verification process to determine the vendors' year 2000 readiness. Such verification includes, as deemed necessary, reviewing vendors' test and other data and engaging in regular conferences with vendors' year 2000 teams. TCI and BCCLP are also requiring testing to validate the year 2000 compliance of certain critical products and services.

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 systems of Bresnan Communications Group Systems or the systems of other companies on which they rely will be converted in time, or that any such failure to convert by the Bresnan Communications Group Systems or other companies will not have a material adverse effect on the financial position, results of operations or cash flows of Bresnan Communications Group Systems.

[Inside Back Cover]

[Text:] Cable Television

High Speed
Internet Access

Internet TV

Interactive TV

[Graphics of friendly customer service representative assisting customer using a headset and people enjoying cable programming; background image of computer screen displaying Charter Communications' website]

[Charter logo]

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 sell only the shares 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.

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Through and including , 1999 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

170,000,000 Shares

CHARTER COMMUNICATIONS, INC.

Class A Common Stock

[CHARTER COMMUNICATIONS LOGO]

GOLDMAN, SACHS & CO.
BEAR, STEARNS & CO. INC.
MORGAN STANLEY DEAN WITTER
DONALDSON, LUFKIN & JENRETTE
MERRILL LYNCH & CO.
SALOMON SMITH BARNEY
A.G. EDWARDS & SONS, INC.
M.R. BEAL & COMPANY

Representatives of the Underwriters

# PART II
## INFORMATION NOT REQUIRED IN THE PROSPECTUS

### ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the expenses, other than underwriting discounts and commissions, to be paid in connection with the sale of the Class A common stock being registered, all of which will be paid by the Registrant. All amounts are estimates except the registration fee, the Nasdaq National Market listing fee and the NASD filing fee.

| | |
|---|---|
| Registration fee | $1,032,631 |
| Nasdaq National Market listing fee | 95,000 |
| NASD filing fee | 30,500 |
| Accounting fees and expenses | * |
| Legal fees and expenses | * |
| Printing and engraving expenses | * |
| Transfer agent and registrar fees | * |
| Miscellaneous expenses | * |
| Total | $ * |

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* To be completed by amendment.

### ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

INDEMNIFICATION UNDER THE CERTIFICATE OF INCORPORATION AND BYLAWS OF THE REGISTRANT

The Registrant's certificate of incorporation provides that a director of the Registrant shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the directors' duty of loyalty to the Registrant or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the Delaware General Corporation law; or (iv) for any transaction from which the director derived an improper personal benefit. The Registrant's bylaws require the Registrant, to the fullest extent authorized by the Delaware General Corporation Law, to indemnify any person who was or is made a party or is threatened to be made a party or is otherwise involved in any action, suit or proceeding by reason of the fact that he is or was a director or officer of the Registrant or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise, in each case, against all expense, liability and loss (including attorneys' fees, judgments, amounts paid in settlement, fines, ERISA excise taxes or penalties) reasonably incurred or suffered by such person in connection therewith.

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; provided, however, that the Delaware General Corporation Law permits indemnification only for expenses (including attorneys' fees) in connection with an action or suit by or in the right of the corporation, and, in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, such indemnification is permitted 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 therein, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection therewith.

INDEMNIFICATION UNDER THE LIMITED LIABILITY COMPANY AGREEMENT OF CHARTER COMMUNICATIONS HOLDING COMPANY

The Charter Communications Holding Company limited liability company agreement will provide that, to the extent permitted by applicable law, it will indemnify its directors, officers, members, manager and the officers, directors, agents, shareholders, members, partners affiliates of its members and its manager for specified losses. The losses are specified as any loss, damage or claim incurred as a result of any act or omission performed or omitted in good faith on behalf of, or in connection with the business and affairs of, Charter Communications Holding Company. This act or omission must be performed by the indemnified party with valid authority. No indemnification will be provided with respect to any losses incurred as a result of fraud, deceit, reckless, or intentional misconduct, gross negligence, or a knowing violation of law. Payment of these indemnification obligations shall be made from the assets of Charter Communications Holding Company and the members shall not be personally liable to an indemnifiable person or required to make a capital contribution for payment of indemnification.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The Registrant has not issued any common stock prior to the offering. Concurrently with the consummation of the offering to which this registration statement relates, Paul G. Allen will purchase a total of 50,000 shares of Class B common stock for an aggregate purchase price of $900,000. The offering and sale of the shares of common stock will not be registered under the Securities Act of 1933 because the offering and sales will be made in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933 and Rule 506 thereunder for transactions by an issuer not involving a public offering.

On September 22, 1999, Charter Communications Holding Company issued 39.8 million membership units to Vulcan Cable III Inc., in consideration of the contribution by Vulcan Cable III Inc. of approximately $644.3 million in cash and approximately $180.7 million in equity interests in Rifkin. This acquisition was undertaken as a private placement.

In September 1999, Charter Communications Operating, LLC, our affiliate, acquired Rifkin Acquisition Partners L.L.L.P. and InterLink Communications Partners, LLLP. In exchange for a portion of the equity of these entities, Charter Communications Holding Company, LLC issued 133,312,118 of its Class A preferred membership units to 27 individuals and entities. The Charter Communications Holding Company preferred membership units are exchangeable at the consummation of this offering for shares of our Class A common stock. As a condition of receiving the preferred membership units, each of the Rifkin sellers was required to provide representations and warranties designed to establish that the offers and sales were valid private placements under Section 4(2) of the Securities Act of 1933. Among other representations and warranties, each Rifkin seller receiving equity was required to represent and warrant that it is an accredited investor under the federal securities laws and is acquiring the preferred membership units for investment purposes and not for sale or with a view to distribution, and to acknowledge that the preferred membership units represent restricted securities under the federal securities laws that cannot be resold without registration under the Securities Act of 1933. Any of these Rifkin sellers that was not an accredited investor was also required to deliver a letter from his or her purchaser representative.

On August 10, 1999, Vulcan Cable III Inc., purchased approximately 24.1 million membership units in Charter Communications Holding Company for $500 million. The offer and sale of these membership units was not registered under the Securities Act of 1933, because the offer and sale was made in reliance on the exemption provided under Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering.

At its inception, Charter Communications, Inc. issued in July, 1999 100 shares of its Class A common stock to Charter Investment, Inc. The offer and sale of these shares was not registered under the Securities Act of 1933, because the offer and sale was made in reliance on the exemption provided under Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering.

In June 1999, Charter Communications Holding Company, our affiliate, entered into an agreement to purchase Bresnan Communications Company Limited Partnership. Under the Bresnan purchase agreement, Charter Communications Holding Company has agreed to issue $1.0 billion worth of its common membership units to the Bresnan sellers in partial consideration for the equity of Bresnan Communications Company Limited Partnership. The Charter Communications Holding company membership units are exchangeable for Class A common stock. The offer of these membership units was not and the sale of these membership units will not be registered under the Securities Act of 1933. Charter Communications Holding Company offered these securities in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering. Each of the Bresnan sellers represented and warranted that it is an accredited investor within the meaning of the federal securities laws and is acquiring the securities for investment and not with a view to public distribution thereof, and acknowledged that the membership units represented restricted securities under the federal securities laws.

In May 1999, Charter Investment, Inc., our affiliate, entered into an agreement to purchase partnership interests in Falcon Communications, L.P. from Falcon Holding Group, L.P. and TCI Falcon Holdings, LLC, interests in a number of Falcon entities held by Falcon Cable Trust and Falcon Holding Group, Inc., specified interests in Enstar Communications Corporation and Enstar Finance Company, LLC held by Falcon Holding Group, L.P., and specified interests in Adlink held by DHN, Inc. Under the Falcon purchase agreement, Falcon Holding Group, L.P. has agreed to contribute to Charter Communications Holding Company a portion of its partnership interest in Falcon Communications, L.P. in exchange for common membership units of Charter Communications Holding Company. The issuance of these securities has not been registered. The offer of these membership units was not and the sale of these membership units will not be registered under the Securities Act of 1933. Charter Communications Holding Company offered these securities in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering. The membership units are to be issued to a single purchaser that could distribute them upon a distribution of all its assets. Each of the Falcon seller represented and warranted that it is an informed and sophisticated purchaser and is acquiring the securities for investment and not with a view to public distribution.

In May 1999, in connection with the mergers of Vulcan Cable, Inc., Vulcan Cable II, Inc. and Marcus Cable Properties, Inc. into Charter Investment, Inc., Charter Investment, Inc. issued to Mr. Allen 78,124 shares of Class A common stock of Charter Investment, Inc. These acquisitions were undertaken as private placements.

During the period December 1998, through March 1999, Mr. Allen loaned approximately $288 million to Charter Investment, Inc. In March 1999, these loans were contributed to Charter Investment, Inc. in exchange for 11,316 shares of Class A common stock of Charter Investment, Inc. This acquisition was undertaken as a private placement.

Charter Holdings adopted a plan on February 9, 1999, which was assumed by Charter Communications Holding Company on May 25, 1999, providing for the grant of options to purchase up to 25,009,798 membership units in Charter Communications Holding Company, which is equal to 10% of the aggregate equity value of the subsidiaries of Charter Communications Holding Company as of February 9, 1999, the date of adoption of the plan. The plan provides for grants of options to employees and consultants of Charter Communications Holding Company and its affiliates. There are a total of 9,206,281 options granted under the plan. Of those, 8,771,481 options were granted on February 9, 1999 with an exercise price of $20.00 and 443,200 options were granted on April 5, 1999 with an exercise price of $20.73. Of the options granted on February 9, 1999, 65,000 options have vested and an additional 65,000 options will vest on the date of the closing of this offering and with respect to the remaining 8,641,481, 2,160,370 options vest on April 3, 2000 and the remainder vest 1/45 on each monthly anniversary following April 3, 2000. One-fourth of the options granted on April 5, 1999 vest on the 15-month anniversary from April 5, 1999, with the remainder vesting 1/45 on each monthly anniversary for 45 months following the 15-month anniversary. The options expire after ten years from the date of grant. Under the terms of the plan, following consummation of the offering, each membership unit held as a result of exercise of options will be exchanged automatically for shares of Class A common stock on a one-for-one basis. None of these options have been exercised.

Effective December 23, 1998, Mr. Kent received a grant of options to purchase three percent (3%) of the equity value of all cable systems managed by Charter Investment on the date of the grant, or 7,044,127 Charter Communications Holding Company membership units. The options have a term of ten years and vested twenty-five percent (25%) on the date of grant. The remaining seventy-five percent (75%) will vest on the first day of each of the 36 months commencing on the first day of the thirteenth month following the date of grant. Membership units received upon exercise of these options are automatically exchanged for shares of Class A common stock of Charter Communications, Inc. None of these options have been exercised. On December 23, 1998, Mr. Allen purchased 52,046 shares of Class A common stock of Charter Investment, Inc. for approximately $1.3 billion. This acquisition was undertaken as a private placement.

On December 23, 1998, Mr. Kent, Mr. Babcock and Mr. Wood each purchased 598.4 shares of Class A voting common stock of Charter Investment, Inc. through the exercise of outstanding warrants. The offer and sale of these shares was not registered under the Securities Act of 1933, because the offer and sale was made in reliance on the exemption provided under Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering.

On December 21, 1998, Mr. Allen purchased 16,922 shares of Class D common stock of Charter Investment, Inc. for approximately $431 million. On December 23, 1998, this Class D common stock was converted into Class A common stock of Charter Investment, Inc. These acquisitions were undertaken as private placements.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

EXHIBITS

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| 1.1 | Form of Underwriting Agreement by and among Charter Communications, Inc., Charter Communications Holding Company, LLC and the underwriters |
| 2.1 | Merger Agreement, dated March 31, 1999, by and between Charter Communications Holdings, LLC and Marcus Cable Holdings, LLC(1) |
| 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.)(9) |
| 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(9) |

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| 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.)(9) |
| 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(9) |
| 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(9) |
| 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.(9) |
| 2.6(a) | Asset and Stock Purchase Agreement, dated April 20, 1999, between Intermedia Partners of West Tennessee, L.P. and Charter Communications, LLC(1) |
| 2.6(b) | Stock Purchase Agreement, dated April 20, 1999, between TCID 1P-V, Inc. and Charter Communications, LLC(1) |
| 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(1) |
| 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.(1) |
| 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.(1) |
| 2.6(f) | 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.** |
| 2.6(g) | 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(10)+ |
| 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.)(1) |
| 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.)(9) |
| 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.)(9) |
| 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(9) |
| 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(9) |
| 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(9) |

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| 2.7(g) | Amendment to the Purchase Agreement with InterLink Communications Partners, LLLP, dated June 29, 1999(11) |
| 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** |
| 2.8(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.)(5) |
| 2.8(b) | Assignment and Contribution Agreement, entered into as of October 11, 1999 by and between Charter Communications Holding Company, LLC and Charter Communications, Inc.** |
| 2.8(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** |
| 2.9 | 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.)** |
| 2.9(a) | 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.(8) |
| 2.9(b) | Form of Second Amendment to Purchase And Contribution Agreement, dated as of            , 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.* |
| 2.10(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 known as Charter Investment, Inc.)** |
| 2.10(b) | Assignment of Purchase Agreement by and between Charter Investment, Inc. and Charter Communications Holding Company, LLC, effective as of September 21, 1999** |
| 2.11 | 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.)** |
| 3.1 | Form of Restated Certificate of Incorporation of Registrant** |
| 3.2 | Form of Bylaws of Registrant** |
| 4.1 | Form of certificate evidencing shares of Class A common stock** |

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| 5.1 | Opinion of Paul, Hastings, Janofsky & Walker LLP regarding legality of the securities being registered |
| 10.1 | Credit Agreement, dated as of March 18, 1999, between Charter Communications Operating, LLC and certain lenders and agents named therein(1) |
| 10.2(a) | Amended and Restated Management Agreement, dated March 17, 1999, between Charter Communications Operating, LLC and Charter Communications, Inc. (now called Charter Investment, Inc.)(9) |
| 10.2(b) | Form of Second Amended Management Agreement, dated as of , 1999, by and among Charter Investment, Inc., Charter Communications, Inc. and Charter Communications Operating, LLC** |
| 10.2(c) | Form of Mutual Services Agreement, dated as of , 1999, by and between Charter Communications, Inc. and Charter Investment, Inc.** |
| 10.2(d) | Form of Management Agreement, dated as of , 1999, by and between Charter Communications Holding Company, LLC and Charter Communications, Inc.** |
| 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(9) |
| 10.4 | 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(1) |
| 10.5 | 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(1) |
| 10.6 | 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(1) |
| 10.7 | 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(2) |
| 10.8 | 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(3) |
| 10.9 | Indenture, dated as of October 15, 1993, by and among The Helicon Group, L.P. and Helicon Capital Corp., as issuers, and Shawmut Bank Connecticut, National Association, as trustee(4) |
| 10.10(a) | Charter Communications Holdings, LLC 1999 Option Plan(9) |
| 10.10(b) | Assumption Agreement, dated as of May 25, 1999, by and between Charter Communications Holdings, LLC and Charter Communications Holding Company, LLC(11) |
| 10.10(c) | Form of Amendment No. 1 to the Charter Communications Holdings, LLC 1999 Option Plan |
| 10.11(a) | Membership Interests Purchase Agreement, dated July 22, 1999, by and between Charter Communications Holding Company, LLC and Paul G. Allen(11) |
| 10.11(b) | Form of Contribution Agreement, dated as of , 1999, by and between Charter Communications, Inc. and Charter Communications Holding Company, LLC** |
| 10.11(c) | 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(11) |
| 10.11(d) | Letter from Paul G. Allen regarding agreement to purchase Charter Communications Holding Company, LLC membership units** |

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| 10.12(a) | Certificate of Formation of Charter Communications Holding Company, LLC, filed on May 25, 1999** |
| 10.12(b) | Form of Amended and Restated Limited Liability Company Agreement for Charter Communications Holding Company, LLC, effective as of , 1999, by and among Charter Communications, Inc. and the other individuals and entities listed on Schedule A thereto |
| 10.13 | Form of Exchange Agreement, dated as of , 1999 by and among Charter Investment, Inc., Charter Communications, Inc., Vulcan Cable III Inc. and Paul G. Allen* |
| 10.14 | Form of Registration Rights Agreement, dated as of , 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** |
| 10.15(a) | Employment Agreement, dated as of August 28, 1998, between Jerald L. Kent and Paul G. Allen(12) |
| 10.15(b) | Assignment of Employment Agreements, dated as of December 23, 1998, between Paul G. Allen and Charter Communications, Inc. (now called Charter Investment, Inc.)(11) |
| 10.15(c) | Form of Assignment and Assumption Agreement, dated as of , 1999, by and between Charter Investment, Inc. and Charter Communications, Inc.** |
| 10.16(a) | Employment Agreement, dated as of December 23, 1998, between Barry L. Babcock and Paul G. Allen(12) |
| 10.16(b) | Form of Assignment and Assumption Agreement, dated as of , 1999, by and between Charter Investment, Inc. and Charter Communications, Inc.** |
| 10.16(c) | Form of Consulting Agreement, dated as of , 1999, by and between Barry L. Babcock and Charter Communications, Inc. |
| 10.16(d) | Form of Termination of Employment Agreement, dated as of October , 1999, by and between Barry L. Babcock and Charter Investment, Inc., Charter Communications, Inc. and Charter Communications Holding Company, LLC. |
| 10.17(a) | Employment Agreement, dated as of December 23, 1998, between Howard L. Wood and Paul G. Allen(12) |
| 10.17(b) | Form of Assignment and Assumption Agreement, dated as of , 1999, by and between Charter Investment, Inc. and Charter Communications, Inc.** |
| 10.17(c) | Form of Consulting Agreement, dated as of , 1999, by and between Howard L. Wood and Charter Communications, Inc. |
| 10.17(d) | Form of Termination of Employment Agreement, dated as of October , 1999, by and between Howard L. Wood and Charter Investment, Inc., Communications, Inc. and Charter Communications Holding Company, LLC. |
| 10.18(a) | Note Purchase and Exchange Agreement, dated as of October 21, 1991, by and among Falcon Telecable, The Mutual Life Insurance Company and MONY Life Insurance Company |
| 10.18(b) | First Amendment to Note Purchase and Exchange Agreement, dated as of March 29, 1993, by and among Falcon Telecable, The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America |
| 10.18(c) | Second Amendment to Note Purchase Agreement and Exchange Agreement, dated as of June 30, 1995, by and among Falcon Telecable, MONY Life Insurance Company of America and AUSA Life Insurance Company, Inc. |
| 10.18(d) | Third Amendment to Note Purchase and Exchange Agreement, dated as of December 28, 1995, by and among Falcon Telecable, AUSA Life Insurance Company, Inc. and MONY Life Insurance Company of America |
| 10.18(e) | Fourth Amendment to Note Purchase and Exchange Agreement, dated as of July 12, 1996, by and among Falcon Telecable, AUSA Life Insurance Company, Inc. and MONY Life Insurance Company of America |

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| 10.18(f) | Note Purchase and Exchange Agreement Consent and Amendment Agreement, dated as of June 30, 1998, by and among Falcon Telecable, AUSA Life Insurance Company, Inc., by AUER & Co., its nominee, and MONY Life Insurance Company of America, by J. ROMEO & Co., its nominee |
| 10.18(g) | Note Purchase and Exchange Agreement Amendment Agreement, dated as of September 30, 1998, by and among Falcon Telecable, AUER & Co. and J. ROMEO & Co. |
| 10.19 | Letter Agreement, dated as of July 22, 1999 between Charter Communications Holding Company, LLC and Charter Communications Holdings, LLC(12) |
| 10.20(a) | Option Agreement, dated as of February 9, 1999, between Jerald L. Kent and Charter Communications Holdings, LLC(11) |
| 10.20(b) | Amendment to the Option Agreement, dated as of August 23, 1999, between Jerald L. Kent and Charter Communications Holding Company, LLC(11) |
| 10.20(c) | Form of Amendment to the Option Agreement, dated as of , 1999, by and among Jerald L. Kent, Charter Communications Holding Company, LLC and Charter Communications, Inc. |
| 10.22 | Letter Agreement, dated September 21, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Charter Communications Holding Company, Inc. and Vulcan Ventures Inc.** |
| 10.23 | Indenture, dated February 2, 1999, among Bresnan Communications Group LLC, Bresnan Capital Corporation and State Street Bank and Trust Company, as trustee, relating to the Issuers' $170,000,000 principal amount of 8% Senior Notes due 2009 and $275,000,000 aggregate principal amount at maturity of 9 1/4% Senior Discount Notes due 2009(13) |
| 10.24 | Loan Agreement dated as of February 2, 1999 among Bresnan Telecommunications Company LLC, various lending institutions, Toronto Dominion (Texas), Inc., as the Administrative Agent for the Lenders, with TD Securities (USA) Inc., Chase Securities Inc., the Bank of Nova Scotia, BNY Capital Markets, Inc. and NationsBanc Montgomery Securities LLC, collectively, the Arranging Agents, Chase Securities Inc., as Syndication Agent, the Bank of Nova Scotia, the Bank of New York Company, Inc., and NationsBanc Montgomery Securities LLC, as Documentation Agents, and TD Securities (USA) Inc., and Chase Securities Inc., as Joint Book Managers and Joint Lead Arrangers(13) |
| 10.25 | Indenture, dated as of December 10, 1998 by and among Avalon Cable of Michigan, Inc., Avalon Cable of New England LLC and Avalon Cable Finance, Inc., as issuers and The Bank of New York, as trustee for the Notes(5) |
| 10.26 | Supplemental Indenture, dated as of March 26, 1999 by and among Avalon Cable of New England LLC, Avalon Cable Finance, Inc. and Avalon Cable of Michigan LLC as issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as trustee for the Notes(5) |
| 10.27 | Senior Credit Agreement, dated as of November 6, 1998, among Avalon Cable of New England LLC, Avalon Cable of Michigan, Inc., Avalon Cable Finance, Inc., Avalon Cable of Michigan, LLC, Lehman Brothers Inc., Fleet Bank of Massachusetts, N.A., Union Bank of California, N.A. and Lehman Commercial Paper Inc.(19) |
| 10.28 | Guarantee and Collateral Agreement, dated as of November 6, 1998 made by Avalon LLC, Avalon Cable LLC, Avalon Cable of New England Holdings, Inc., Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. in favor of Lehman Commercial Paper Inc.(19) |
| 10.29 | 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(14) |

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| 10.30 | 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(14) |
| 10.31 | Indenture, dated as of March 29, 1993, by and among Falcon Holding Group, L.P. and United States Trust Company of New York (governing 11% Senior Subordinated Notes due 2003)(15) |
| 10.32 | Indenture, dated as of April 3, 1998, among Falcon Holding Group, L.P., Falcon Funding Corporation and United States Trust Company of New York, as trustee(16) |
| 10.33 | Supplemental Indenture, dated as of September 30, 1998, by and among Falcon Holding Group, L.P., Falcon Funding Corporation, Falcon Communications, L.P. and United States Trust Company of New York, as trustee(17) |
| 10.34 | Credit Agreement, dated as of June 30, 1998, among Falcon Cable Communications, LLC, certain guarantors and lenders named therein, BankBoston, N.A., as Documentation Agent, Toronto Dominion, Inc., as Administrative Agent, Bank of America, N.A. (formerly known as NationsBank, N.A.), as Syndication Agent, and The Chase Manhattan Bank, as Co-Syndication Agent(18) |
| 10.35 | Amendment to the Credit Agreement, dated as of September 25, 1998, among the affiliates of Falcon Holding Group, L.P. named therein and BankBoston, N.A., as Documentation Agent(17) |
| 10.36 | Form of Credit Agreement, dated as of June 30, 1998, as Amended and Restated as of , 1999, among Falcon Cable Communications, LLC, certain guarantors and lenders named therein, BankBoston, N.A., as Documentation Agent, Toronto Dominion, Inc., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and The Chase Manhattan Bank, as Co-Syndication Agent** |
| 10.37 | Commitment Letter, dated August 16, 1999, from Chase Securities Inc., The Chase Manhattan Bank, Banc of America Securities LLC, Bank of America, N.A., TD Securities (USA) Inc. and Toronto Dominion (Texas) Inc. to Charter Investment, Inc. |
| 10.38 | Commitment Letter, dated October 15, 1999, from Goldman Sachs Credit Partners L.P. to Charter Communications, Inc.** |
| 10.39 | Commitment Letter, dated September 29, 1999, from Bank of Montreal, Chicago Branch to Charter Communications Holding Company, LLC+ |
| 21.1 | Subsidiaries of Registrant |
| 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* |

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|---|---|
| 23.18 | Consent of Ernst & Young LLP* |
| 24.1 | Power of Attorney** |
| 27.1 | Financial Data Schedule** |
| 99.1 | Consent of Nancy B. Peretsman** |
| 99.2 | Consent of Ronald L. Nelson** |
| 99.3 | Consent of Howard L. Wood* |
| 99.4 | Consent of Marc Nathanson** |

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* To be filed by amendment.

** Previously filed.

\+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

(1) 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 21, 1999 (File No. 333-77499).

(2) Incorporated by reference to the registration statement on Forms S-4 and S-1 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).

(3) 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).

(4) Incorporated by reference to the registration statement on Form S-4 of The Helicon Group, L.P. and Helicon Capital Corp. filed on December 3, 1993 (File No. 333-72468).

(5) 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).

(6) Incorporated by reference to the report on Form 8-K of Falcon Communications, L.P. and Falcon Funding Corporation filed on June 9, 1999 (File Nos. 033-60776 and 333-55755-01).

(7) Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Bresnan Communications Group LLC and Bresnan Capital Corporation filed on July 9, 1999 (File No. 333-77637).

(8) 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).

(9) 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) 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).

(11) 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).

(12) 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).

(13) Incorporated by reference to the registration statement on Form S-4 of Bresnan Communications Group LLC and Bresnan Capital Corporation filed on May 3, 1999 (File No. 333-77637).

(14) 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).

(15) Incorporated by reference to the registration statement on Form S-4 of Falcon Holding Group, L.P. filed on April 18, 1993 (File No. 33-60776).

(16) Incorporated by reference to the registration statement on Form S-4 of Falcon Holding Group, L.P. and Falcon Funding Corporation filed on June 1, 1998 (File No. 333-55755).

(17) Incorporated by reference to the report on Form 8-K of Falcon Communications, L.P. and Falcon Funding Corporation filed on October 9, 1998 (File No. 33-60776).

(18) Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Falcon Holding Group, L.P. and Falcon Funding Corporation filed on July 17, 1998 (File No. 333-55755).

(19) Incorporated by reference to Amendment No. 4 to the statement of beneficial ownership on Schedule 13D of Avalon Cable of Michigan, Inc., Avalon Cable of Michigan Holdings, Inc., Avalon Cable Holdings, LLC, ABRY Broadcast Partners III, L.P., ABRY Equity Investors, L.P., ABRY Holdings III, Inc. and Royce Yudkoff filed on November 12, 1998 (File No. 005-40465).

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 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant 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 Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Charter Communications, Inc. has duly caused this Amendment No. 4 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of St. Louis, State of Missouri on the 1st day of November 1999.

CHARTER COMMUNICATIONS, INC.

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 registration statement has been signed by the following persons in the capacities and on the dates indicated.

| SIGNATURE | CAPACITY | DATE |
| --- | --- | --- |
| * Paul G. Allen | Chairman of the Board of Directors | November 1, 1999 |
| * Jerald L. Kent | President, Chief Executive Officer and Director (Principal Executive Officer) | November 1, 1999 |
| * William D. Savoy | Director | November 1, 1999 |
| * Kent D. Kalkwarf | Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | November 1, 1999 |

*By: /s/ CURTIS S. SHAW

Attorney-in-fact

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
| --- | --- | --- |
| 1.1 | Form of Underwriting Agreement by and among Charter Communications, Inc., Charter Communications Holding Company, LLC and the underwriters | |
| 2.1 | Merger Agreement, dated March 31, 1999, by and between Charter Communications Holdings, LLC and Marcus Cable Holdings, LLC(1) | |
| 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.)(9) | |
| 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(9) | |
| 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.)(9) | |
| 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(9) | |
| 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(9) | |
| 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.(9) | |
| 2.6(a) | Asset and Stock Purchase Agreement, dated April 20, 1999, between Intermedia Partners of West Tennessee, L.P. and Charter Communications, LLC(1) | |
| 2.6(b) | Stock Purchase Agreement, dated April 20, 1999, between TCID 1P-V, Inc. and Charter Communications, LLC(1) | |
| 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(1) | |
| 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.(1) | |
| 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.(1) | |
| 2.6(f) | 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.** | |
| 2.6(g) | 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(10)+ | |
| 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.)(1) | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
| --- | --- | --- |
| 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.)(9) | |
| 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.)(9) | |
| 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(9) | |
| 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(9) | |
| 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(9) | |
| 2.7(g) | Amendment to the Purchase Agreement with InterLink Communications Partners, LLLP, dated June 29, 1999(11) | |
| 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** | |
| 2.8(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.)(5) | |
| 2.8(b) | Assignment and Contribution Agreement, entered into as of October 11, 1999 by and between Charter Communications Holding Company, LLC and Charter Communications, Inc.** | |
| 2.8(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** | |
| 2.9 | 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.)** | |
| 2.9(a) | 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. (8) | |
| 2.9(b) | Form of Second Amendment to Purchase And Contribution Agreement, dated as of , 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.* | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
|---|---|---|
| 2.10(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 known as Charter Investment, Inc.)** | |
| 2.10(b) | Assignment of Purchase Agreement by and between Charter Investment, Inc. and Charter Communications Holding Company, LLC, effective as of September 21, 1999** | |
| 2.11 | 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.)** | |
| 3.1 | Form of Restated Certificate of Incorporation of Registrant** | |
| 3.2 | Form of Bylaws of Registrant** | |
| 4.1 | Form of certificate evidencing shares of Class A common stock** | |
| 5.1 | Opinion of Paul, Hastings, Janofsky & Walker LLP regarding legality of the securities being registered | |
| 10.1 | Credit Agreement, dated as of March 18, 1999, between Charter Communications Operating, LLC and certain lenders and agents named therein(1) | |
| 10.2(a) | Amended and Restated Management Agreement, dated March 17, 1999, between Charter Communications Operating, LLC and Charter Communications, Inc. (now called Charter Investment, Inc.)(9) | |
| 10.2(b) | Form of Second Amended Management Agreement, dated as of , 1999, by and among Charter Investment, Inc., Charter Communications, Inc. and Charter Communications Operating, LLC** | |
| 10.2(c) | Form of Mutual Services Agreement, dated as of , 1999, by and between Charter Communications, Inc. and Charter Investment, Inc.** | |
| 10.2(d) | Form of Management Agreement, dated as of , 1999, by and between Charter Communications Holding Company, LLC and Charter Communications, Inc.** | |
| 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(9) | |
| 10.4 | 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(1) | |
| 10.5 | 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(1) | |
| 10.6 | 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(1) | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
|---|---|---|
| 10.7 | 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(2) | |
| 10.8 | 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(3) | |
| 10.9 | Indenture, dated as of October 15, 1993, by and among The Helicon Group, L.P. and Helicon Capital Corp., as issuers, and Shawmut Bank Connecticut, National Association, as trustee(4) | |
| 10.10(a) | Charter Communications Holdings, LLC 1999 Option Plan(9) | |
| 10.10(b) | Assumption Agreement, dated as of May 25, 1999, by and between Charter Communications Holdings, LLC and Charter Communications Holding Company, LLC(11) | |
| 10.10(c) | Form of Amendment No. 1 to the Charter Communications Holdings, LLC 1999 Option Plan | |
| 10.11(a) | Membership Interests Purchase Agreement, dated July 22, 1999, by and between Charter Communications Holding Company, LLC and Paul G. Allen(11) | |
| 10.11(b) | Form of Contribution Agreement, dated as of , 1999, by and between Charter Communications, Inc. and Charter Communications Holding Company, LLC** | |
| 10.11(c) | 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(11) | |
| 10.11(d) | Letter from Paul G. Allen regarding agreement to purchase Charter Communications Holding Company, LLC membership units** | |
| 10.12(a) | Certificate of Formation of Charter Communications Holding Company, LLC, filed on May 25, 1999** | |
| 10.12(b) | Form of Amended and Restated Limited Liability Company Agreement for Charter Communications Holding Company, LLC, effective as of , 1999, by and among Charter Communications, Inc. and the other individuals and entities listed on Schedule A thereto | |
| 10.13 | Form of Exchange Agreement, dated as of , 1999 by and among Charter Investment, Inc., Charter Communications, Inc., Vulcan Cable III Inc. and Paul G. Allen* | |
| 10.14 | Form of Registration Rights Agreement, dated as of , 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** | |
| 10.15(a) | Employment Agreement, dated as of August 28, 1998, between Jerald L. Kent and Paul G. Allen(12) | |
| 10.15(b) | Assignment of Employment Agreements, dated as of December 23, 1998, between Paul G. Allen and Charter Communications, Inc. (now called Charter Investment, Inc.)(11) | |
| 10.15(c) | Form of Assignment and Assumption Agreement, dated as of , 1999, by and between Charter Investment, Inc. and Charter Communications, Inc.** | |
| 10.16(a) | Employment Agreement, dated as of December 23, 1998, between Barry L. Babcock and Paul G. Allen(12) | |
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| 10.16(d) | Form of Termination of Employment Agreement, dated as of October , 1999, by and between Barry L. Babcock and Charter Investment, Inc., Charter Communications, Inc. and Communications Holding Company, LLC. | |
| 10.17(a) | Employment Agreement, dated as of December 23, 1998, between Howard L. Wood and Paul G. Allen(12) | |
| 10.17(b) | Form of Assignment and Assumption Agreement, dated as of , 1999, by and between Charter Investment, Inc. and Charter Communications, Inc.** | |
| 10.17(c) | Form of Consulting Agreement, dated as of , 1999, by and between Howard L. Wood and Charter Communications, Inc. | |
| 10.17(d) | Form of Termination of Employment Agreement, dated as of October , 1999, by and between Howard L. Wood and Charter Investment, Inc., Charter Communications, Inc. and Charter Holding Company. | |
| 10.18(a) | Note Purchase and Exchange Agreement, dated as of October 21, 1991, by and among Falcon Telecable, The Mutual Life Insurance Company and MONY Life Insurance Company | |
| 10.18(b) | First Amendment to Note Purchase and Exchange Agreement, dated as of March 29, 1993, by and among Falcon Telecable, The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America | |
| 10.18(c) | Second Amendment to Note Purchase Agreement and Exchange Agreement, dated as of June 30, 1995, by and among Falcon Telecable, MONY Life Insurance Company of America and AUSA Life Insurance Company, Inc. | |
| 10.18(d) | Third Amendment to Note Purchase and Exchange Agreement, dated as of December 28, 1995, by and among Falcon Telecable, AUSA Life Insurance Company, Inc. and MONY Life Insurance Company of America | |
| 10.18(e) | Fourth Amendment to Note Purchase and Exchange Agreement, dated as of July 12, 1996, by and among Falcon Telecable, AUSA Life Insurance Company, Inc. and MONY Life Insurance Company of America | |
| 10.18(f) | Note Purchase and Exchange Agreement Consent and Amendment Agreement, dated as of June 30, 1998, by and among Falcon Telecable, AUSA Life Insurance Company, Inc., by AUER & Co., its nominee, and MONY Life Insurance Company of America, by J. ROMEO & Co., its nominee | |
| 10.18(g) | Note Purchase and Exchange Agreement Amendment Agreement, dated as of September 30, 1998, by and among Falcon Telecable, AUER & Co. and J. ROMEO & Co. | |
| 10.19 | Letter Agreement, dated as of July 22, 1999 between Charter Communications Holding Company, LLC and Charter Communications Holdings, LLC(12) | |
| 10.20(a) | Option Agreement, dated as of February 9, 1999, between Jerald L. Kent and Charter Communications Holdings, LLC(11) | |
| 10.20(b) | Amendment to the Option Agreement, dated as of August 23, 1999, between Jerald L. Kent and Charter Communications Holding Company, LLC(11) | |
| 10.20(c) | Form of Amendment to the Option Agreement, dated as of , 1999, by and among Jerald L. Kent, Charter Communications Holding Company, LLC and Charter Communications, Inc. | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
|---|---|---|
| 10.22 | Letter agreement, dated September 21, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Charter Communications Holding Company, Inc. and Vulcan Ventures Inc.** | |
| 10.23 | Indenture, dated February 2, 1999, among Bresnan Communications Group LLC, Bresnan Capital Corporation and State Street Bank and Trust Company, as trustee, relating to the Issuers' $170,000,000 principal amount of 8% Senior Notes due 2009 and $275,000,000 aggregate principal amount at maturity of 9 1/4% Senior Discount Notes due 2009(13) | |
| 10.24 | Loan Agreement dated as of February 2, 1999 among Bresnan Telecommunications Company LLC, various lending institutions, Toronto Dominion (Texas), Inc., as the Administrative Agent for the Lenders, with TD Securities (USA) Inc., Chase Securities Inc., the Bank of Nova Scotia, BNY Capital Markets, Inc. and NationsBanc Montgomery Securities LLC, collectively, the Arranging Agents, Chase Securities Inc., as Syndication Agent, the Bank of Nova Scotia, the Bank of New York Company, Inc., and NationsBanc Montgomery Securities LLC, as Documentation Agents, and TD Securities (USA) Inc., and Chase Securities Inc., as Joint Book Managers and Joint Lead Arrangers(13) | |
| 10.25 | Indenture, dated as of December 10, 1998 by and among Avalon Cable of Michigan, Inc., Avalon Cable of New England LLC and Avalon Cable Finance, Inc., as issuers and The Bank of New York, as trustee for the Notes(5) | |
| 10.26 | Supplemental Indenture, dated as of March 26, 1999 by and among Avalon Cable of New England LLC, Avalon Cable Finance, Inc. and Avalon Cable of Michigan LLC as issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as trustee for the Notes(5) | |
| 10.27 | Senior Credit Agreement, dated as of November 6, 1998, among Avalon Cable of New England LLC, Avalon Cable of Michigan, Inc., Avalon Cable Finance, Inc., Avalon Cable of Michigan, LLC, Lehman Brothers Inc., Fleet Bank of Massachusetts, N.A., Union Bank of California, N.A. and Lehman Commercial Paper Inc.(19) | |
| 10.28 | Guarantee and Collateral Agreement, dated as of November 6, 1998 made by Avalon LLC, Avalon Cable LLC, Avalon Cable of New England Holdings, Inc., Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. in favor of Lehman Commercial Paper Inc.(19) | |
| 10.29 | 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(14) | |
| 10.30 | 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(14) | |
| 10.31 | Indenture, dated as of March 29, 1993, by and among Falcon Holding Group, L.P. and United States Trust Company of New York (governing 11% Senior Subordinated Notes due 2003)(15) | |
| 10.32 | Indenture, dated as of April 3, 1998, among Falcon Holding Group, L.P., Falcon Funding Corporation and United States Trust Company of New York, as trustee(16) | |
| 10.33 | Supplemental Indenture, dated as of September 30, 1998, by and among Falcon Holding Group, L.P., Falcon Funding Corporation, Falcon Communications, L.P. and United States Trust Company of New York, as trustee(17) | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
|---|---|---|
| 10.34 | Credit Agreement, dated as of June 30, 1998, among Falcon Cable Communications, LLC, certain guarantors and lenders named therein, BankBoston, N.A., as Documentation Agent, Toronto Dominion, Inc., as Administrative Agent, Bank of America, N.A. (formerly known as NationsBank, N.A.), as Syndication Agent, and The Chase Manhattan Bank, as Co-Syndication Agent(18) | |
| 10.35 | Amendment to the Credit Agreement, dated as of September 25, 1998, among the affiliates of Falcon Holding Group, L.P. named therein and BankBoston, N.A., as Documentation Agent(17) | |
| 10.36 | Form of Credit Agreement, dated as of June 30, 1998, as Amended and Restated as of , 1999, among Falcon Cable Communications, LLC, certain guarantors and lenders named therein, BankBoston, N.A., as Documentation Agent, Toronto Dominion, Inc., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and The Chase Manhattan Bank, as Co-Syndication Agent** | |
| 10.37 | Commitment Letter, dated August 16, 1999, from Chase Securities Inc., The Chase Manhattan Bank, Banc of America Securities LLC, Bank of America, N.A., TD Securities (USA) Inc. and Toronto Dominion (Texas) Inc. to Charter Investment, Inc. | |
| 10.38 | Commitment Letter, dated October 15, 1999, from Goldman Sachs Credit Partners L.P. to Charter Communications, Inc.** | |
| 10.39 | Commitment Letter, dated September 29, 1999, from Bank of Montreal, Chicago Branch to Charter Communications Holding Company, LLC+ | |
| 21.1 | Subsidiaries of Registrant | |
| 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* | |
| 24.1 | Power of Attorney** | |
| 27.1 | Financial Data Schedule** | |
| 99.1 | Consent of Nancy B. Peretsman** | |
| 99.2 | Consent of Ronald L. Nelson** | |

| EXHIBIT NUMBER | DESCRIPTION | PAGE NO. |
|---|---|---|
| 99.3 | Consent of Howard L. Wood* | |
| 99.4 | Consent of Marc Nathanson** | |

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* To be filed by amendment.

** Previously filed.

\+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

(1) 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 21, 1999 (File No. 333-77499).

(2) Incorporated by reference to the registration statement on Forms S-4 and S-1 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).

(3) 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).

(4) Incorporated by reference to the registration statement on Form S-4 of The Helicon Group, L.P. and Helicon Capital Corp. filed on December 3, 1993 (File No. 333-72468).

(5) 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).

(6) Incorporated by reference to the report on Form 8-K of Falcon Communications, L.P. and Falcon Funding Corporation filed on June 9, 1999 (File Nos. 033-60776 and 333-55755-01).

(7) Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Bresnan Communications Group LLC and Bresnan Capital Corporation filed on July 9, 1999 (File No. 333-77637).

(8) 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).

(9) 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) 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).

(11) 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).

(12) 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).

(13) Incorporated by reference to the registration statement on Form S-4 of Bresnan Communications Group LLC and Bresnan Capital Corporation filed on May 3, 1999 (File No. 333-77637).

(14) 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).

(15) Incorporated by reference to the registration statement on Form S-4 of Falcon Holding Group, L.P. filed on April 18, 1993 (File No. 33-60776).

(16) Incorporated by reference to the registration statement on Form S-4 of Falcon Holding Group, L.P. and Falcon Funding Corporation filed on June 1, 1998 (File No. 333-55755).

(17) Incorporated by reference to the report on Form 8-K of Falcon Communications, L.P. and Falcon Funding Corporation filed on October 9, 1998 (File No. 33-60776).

(18) Incorporated by reference to Amendment No. 1 to the registration statement on Form S-4 of Falcon Holding Group, L.P. and Falcon Funding Corporation filed on July 17, 1998 (File No. 333-55755).

(19) Incorporated by reference to Amendment No. 4 to the statement of beneficial ownership on Schedule 13D of Avalon Cable of Michigan, Inc., Avalon Cable of Michigan Holdings, Inc., Avalon Cable Holdings, LLC, ABRY Broadcast Partners III, L.P., ABRY Equity Investors, L.P., ABRY Holdings III, Inc. and Royce Yudkoff filed on November 12, 1998 (File No. 005-40465).

Exhibit 1.1

[Form of U.S. underwriting agreement]

CHARTER COMMUNICATIONS, INC.

CLASS A COMMON STOCK, PAR VALUE $.001 PER SHARE

UNDERWRITING AGREEMENT (U.S. VERSION)

November __, 1999

Goldman, Sachs & Co.,
Bear, Stearns & Co. Inc.,
Morgan Stanley & Co. Incorporated,
Donaldson, Lufkin & Jenrette Securities Corporation,
Merrill Lynch, Pierce, Fenner & Smith Incorporated,
Salomon Smith Barney Inc.,
A. G. Edwards & Sons, Inc.,
M. R. Beal & Company,
As representatives of the several Underwriters
named in Schedule I hereto,
c/o Goldman, Sachs & Co.,
85 Broad Street,
New York, New York 10004

Ladies and Gentlemen:

Charter Communications, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 144,500,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 21,675,000 additional shares (the "Optional Shares") of Class A Common Stock, par value $.001 per share ("Stock"), of the Company (the Firm Shares and the Optional Shares that the Underwriters purchase pursuant to Section 2 hereof being collectively called the "Shares"). The Company will use the proceeds to purchase limited liability company interests ("Membership Units") of Charter Communications Holding Company, LLC, a Delaware limited liability company ("Holding"), as described in the Prospectus (as hereinafter defined).

It is understood and agreed to by all parties that the Company is concurrently entering into an agreement (the "International Underwriting Agreement") providing for the sale by the Company of up to a total of 29,325,000 shares of Stock (the "International Shares"), including the overallotment option thereunder, through arrangements with certain underwriters outside the United States (the "International Underwriters"), for whom Goldman Sachs International, Bear,

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Stearns International Limited, Morgan Stanley & Co. International Limited, Donaldson, Lufkin & Jenrette International, Merrill Lynch International and Salomon Brothers International Limited are acting as lead managers. Anything herein or therein to the contrary notwithstanding, the respective closings under this Agreement and the International Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the International Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the International Shares. The latter form of prospectus will be identical to the former except for the front and back cover pages and the "Underwriting" section. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as the context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the International Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

1. The Company and Holding, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-83887) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, delivered to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of

Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus");

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(c) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(d) None of the Company, Holding or any of Holding's subsidiaries has sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock, limited liability company interests or long-term debt of the Company, Holding or any of Holding's subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' or members' equity, or results of operations of the Company, Holding and Holding's subsidiaries, otherwise than as set forth or contemplated in the Prospectus;

(e) Each of the Company, Holding and Holding's subsidiaries has good and marketable title in fee simple to all real property and good and valid title to all personal property owned by it reflected as owned in the financial statements or elsewhere in the Prospectus, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company, Holding and Holding's subsidiaries; and any real property and buildings held under lease by the Company, Holding and Holding's subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company, Holding and Holding's subsidiaries;

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware; Holding has been duly formed and is validly existing as a limited liability company in good standing under the laws of the State of Delaware; each of the Company and Holding has power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus and to execute, deliver and perform its obligations under this Agreement, and has been duly qualified as a foreign corporation or limited liability company, as the case may be, for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, and is not subject to liability or disability by reason of the failure to be so qualified in any such jurisdiction, except where the failure to be so qualified would not, individually and in the aggregate, have a material adverse effect on the current or future financial position, stockholders' or members' equity or results of operations of the Company, Holding and Holding's subsidiaries, taken as a whole (a "Material Adverse Effect"); each subsidiary of Holding has been duly incorporated or formed, as the case may be, and is validly existing as a corporation or limited liability company, as the case may be, in good standing under the laws of its jurisdiction of incorporation or formation; and the Company does not have any subsidiary (as such term is defined in the rules and regulations under the Act) except that contemporaneously with the consummation of the transactions contemplated by this Agreement, the Company will acquire an approximate      % equity interest and a 100% voting interest in Holding;

(g) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, and conform to the descriptions thereof contained in the Prospectus; Holding has an authorized capitalization as set forth in the

Prospectus, and all of the issued and outstanding Membership Units have been duly and validly authorized and issued, are fully paid and non-assessable, are owned directly by Charter Investment, Inc. ("Charter Investment"), Vulcan Cable III Inc. ("Vulcan III") and those other persons or entities described in the Prospectus, free and clear of all liens, encumbrances, equities or claims, and conform to the description of the Membership Units contained in the Prospectus; and all of the issued shares of capital stock or limited liability company interests, as the case may be, of each subsidiary of Holding have been duly and validly authorized and issued, are fully paid and non-assessable, and are owned directly or indirectly by Holding, free and clear of all liens, encumbrances, equities or claims;

(h) The Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein and in the International Underwriting Agreement, will be duly and validly issued, fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus;

(i) The issue and sale of the Shares by the Company hereunder and under the International Underwriting Agreement and the compliance by the Company and Holding with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, lease, license, franchise agreement, permit or other agreement or instrument to which the Company, Holding or any of Holding's subsidiaries is a party or by which the Company, Holding or any of Holding's subsidiaries is bound or to which any of the property or assets of the Company, Holding or any of Holding's subsidiaries is subject, nor will such action result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, Holding or any of Holding's subsidiaries or any of their properties, including, without limitation, the Communications Act of 1934, as amended, the Cable Communications Policy Act of 1984, as amended, the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996 (collectively, the "Cable Acts") or any order, rule or regulation of the Federal Communications Commission (the "FCC"), except where such breach or violation would not have a Material Adverse Effect and would not have the effect of preventing the Company or Holding from performing any of their respective obligations under this Agreement; nor will such action result in any violation of the Restated Certificate of Incorporation or Bylaws of the Company or the Certificate of Formation or Amended and Restated Limited Liability Company Agreement of Holding; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required, including, without limitation, under the Cable Acts or any order, rule or regulation of the FCC, for the issue and sale of the Shares or the

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consummation by the Company and Holding of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as have been made or except as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters;

(j) None of the Company, Holding or any of Holding's subsidiaries is (i) in violation of its certificate of incorporation, by-laws, certificate of formation, limited liability company agreement or other organizational document, as the case may be, (ii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease, license, permit or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or (iii) in violation of the terms of any franchise agreement, or any law, statute, rule or regulation or any judgment, decree or order, in any such case, of any court or governmental or regulatory agency or other body having jurisdiction over the Company, Holding or Holding's subsidiaries or any of their properties or assets, including, without limitation, the Cable Acts or any order, rule or regulation of the FCC, except, in the case of clauses (ii) and (iii), such as would not, individually and in the aggregate, have a Material Adverse Effect;

(k) The provisions of the Company's Restated Certificate of Incorporation and Bylaws, including, without limitation, the provisions thereof relating to the Stock and the Company's Class B Common Stock, par value .001 per share (the "Class B Stock"), are lawful and permitted under the Delaware General Corporation Law, do not violate any Delaware statute or rule or regulation of any Delaware governmental agency or body having jurisdiction over the Company or Holding and, subject to principles of equity, a Delaware court properly presented with the matter would so find; Holding's Certificate of Formation and Amended and Restated Limited Liability Company Agreement do not violate the Delaware Limited Liability Company Act, the Amended and Restated Limited Liability Company Agreement is enforceable against the parties thereto in accordance with its terms, and the Certificate of Formation and Amended and Restated Limited Liability Company Agreement do not violate any Delaware statute, any rule or regulation of any Delaware governmental agency or body having jurisdiction over the Company or Holding or any order of any Delaware court having jurisdiction over the Company or Holding;

(l) The statements set forth in the Prospectus under the captions "Risks Factors --Regulatory and Legislative Matters", "Business -- Acquisitions", "Regulation and Legislation", "Management", "Certain Relationships and Related Transactions", "Description of Certain Indebtedness", "Description of Capital Stock and Membership Units", "Shares Eligible For Future Sale" and "Certain United States Tax Consequences for Non-United States Holders", insofar as they purport to describe the provisions of the laws, documents and arrangements referred to therein, are accurate in all material respects;

(m) Other than as set forth in the Prospectus, there are no legal or governmental proceedings (including, without limitation, by the FCC or any franchising authority) pending to which the Company, Holding or any of Holding's subsidiaries is a party or of which any property of the Company, Holding or any of Holding's subsidiaries is the subject which, if determined adversely to the Company, Holding or any of Holding's subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect; and, to the best knowledge of the Company and Holding and except as disclosed in the Prospectus, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(n) Each of the Company, Holding and Holding's subsidiaries carries insurance (including self-insurance) in such amounts and covering such risks as in the reasonable determination of the Company and Holding is adequate for the conduct of its business and the value of its properties;

(o) Except as set forth in the Prospectus, there is no strike, labor dispute, slowdown or work stoppage with the employees of any of the Company, Holding or Holding's subsidiaries which is pending or, to the best knowledge of the Company and Holding, threatened which would, individually or in the aggregate, have a Material Adverse Effect;

(p) Neither the Company nor Holding is and, after giving effect to the offering and sale of the Shares, will be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act");

(q) The audited consolidated financial statements (including the notes thereto) included in the Prospectus present fairly in all material respects the respective consolidated financial positions, results of operations and cash flows of the entities to which they relate at the dates and for the periods to which they relate and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis, except as otherwise stated therein; the supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein; and the summary and selected financial data in the Prospectus present fairly in all material respects the information shown therein and have been prepared and compiled on a basis consistent with the audited financial statements included therein;

(r) The pro forma financial statements (including the notes thereto) and the other pro forma financial information included in the Prospectus (i) comply as to form in all material respects with the applicable requirements of Regulation S-X for Form S-1 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) have been properly computed on the bases described therein; the assumptions used in the preparation of the pro forma financial data and other pro forma financial information included in the Prospectus are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein;

(s) Each of the following firms are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder, based upon representations by such firms to us: (i) Arthur Andersen LLP, who have certified certain financial statements of the Company, Holding, CCA Group, CharterComm Holdings, L.P., Long Beach Acquisition Corp., Sonic Communications Cable Television Systems and Greater Media Cablevision Systems; (ii) KPMG LLP, who have certified certain financial statements of Marcus Cable Company, L.L.C., Helicon Partners I L.P. and affiliates, TCI Falcon Systems and Bresnan Communications Group Systems; (iii) Ernst & Young LLP, who have certified certain financial statements of Renaissance Media Group LLC, the combined statements of the Picayune MS, Lafourche LA St. Tammany LA, St. Landry LA, Point Coupee LA and Jackson TN cable television systems, R/N South Florida Cable Management Limited Partnership, Indiana Cable Associates, Ltd., Falcon Communications, L.P. and Fanch Cable Systems (comprised of components of TWFanch-one Co. and TWFanch-two Co.); and (iv) PriceWaterhouseCoopers LLP, who have certified certain financial statements of InterMedia Cable Systems, Rifkin Acquisition Partners L.L.L.P., Rifkin Cable Income Partners LP, Avalon Cable LLC, Avalon Cable of Michigan Holdings, Cable Michigan, Inc., Amrac Clear View, a Limited Partnership, Pegasus Cable Television of Connecticut, Inc. and the Massachusetts operations of Pegasus Cable Television, Inc.

(t) The Company and Holding have reviewed their operations and those of Holding's subsidiaries to evaluate the extent to which the business or operations of the Company, Holding or any of Holding's subsidiaries will be affected by the Year 2000 Problem. As a result of such review, except as disclosed in the Prospectus, the Company and Holding have no reason to believe that the Year 2000 Problem will have a Material Adverse Effect or result in any material loss or interference with the business or operations of the Company, Holding or Holding's subsidiaries. The "Year 2000 Problem" as used herein means any significant risk that computer hardware or software used in the receipt, transmission, processing, manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000;

(u) The Company, Holding and Holding's subsidiaries own or possess, or can acquire on reasonable terms, adequate licenses, trademarks, service marks, trade names or copyrights (collectively, "Intellectual Property") necessary to conduct the business now or proposed to be operated by each of them as described in the Prospectus, except where the failure to own, possess or have the ability to acquire any Intellectual Property would not, individually and in the aggregate, have a Material Adverse Effect; and none of the Company, Holding or Holding's subsidiaries has received any notice of infringement of or conflict with (and none actually knows of any such infringement of or conflict with) asserted rights of others with respect to any Intellectual Property which, if any such assertion of infringement or conflict were sustained would, individually or in the aggregate, have a Material Adverse Effect;

(v) Except as described in the Prospectus, the Company, Holding and Holding's subsidiaries have obtained all consents, approvals, orders, certificates, licenses, permits, franchises and other authorizations of and from, and have made all declarations and filings with, all governmental and regulatory authorities (including, without limitation, the FCC), all self-regulatory organizations and all courts and other tribunals legally necessary to own, lease, license and use their respective properties and assets and to conduct their respective businesses in the manner described in the Prospectus, except to the extent that the failure to so obtain or file would not, individually and in the aggregate, have a Material Adverse Effect;

(w) Each of the franchises held by the Company, Holding and Holding's subsidiaries that are material to the Company, Holding and Holding's subsidiaries, taken as a whole, is in full force and effect, with no material restrictions or qualifications; and to the best knowledge of the Company and Holding, no event has occurred which permits, or with notice or lapse of time or both would permit, the revocation or non-renewal of any franchises, assuming the filing of timely renewal applications and the timely payment of all applicable filing and regulatory fees to the applicable franchising authority, or which might result, individually or in the aggregate, in any other material impairment of the rights of the Company, Holding and Holding's subsidiaries in the franchises. Except as described in the Prospectus, the Company and Holding have no reason to believe that any franchise that is required for the operation of the Company, Holding and Holding's subsidiaries will not be renewed in the ordinary course;

(x) The Company, Holding and Holding's subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with

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Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually and in the aggregate, have a Material Adverse Effect;

(y) The Company, Holding and Holding's subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns required to be filed as of the date hereof, except where the failure to so file such returns would not, individually and in the aggregate, have a Material Adverse Effect, and have paid all taxes shown as due thereon; and there is no tax deficiency that has been asserted against the Company, Holding or any of Holding's subsidiaries that could reasonably be expected to result, individually and in the aggregate, in a Material Adverse Effect;

(z) Except as described in the Prospectus, there are no contracts, agreements or understandings between the Company, Holding or any of their affiliates and any person granting such person the right to require the Company or Holding to file a registration statement under the Act with respect to any securities of the Company or Holding or to require the Company or Holding to include such securities with the Shares registered pursuant to the Registration Statement;

(aa) Except as described in the Prospectus, there are no outstanding options, warrants or other rights calling for the issuance of, and no commitments, plans or arrangements to issue, any securities of the Company or Holding or any security convertible into or exchangeable for securities of the Company or Holding;

(ab) There are no contracts, other documents or other agreements required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement by the Act or by the rules and regulations thereunder which have not been described or filed as required; the contracts so described in the Prospectus are in full force and effect on the date hereof; and none of the Company, Holding or Holding's subsidiaries and, to the best of the Company's and Holding's knowledge, any other party is in breach of or default under any of such contracts, except for those breaches or defaults that would not, individually and in the aggregate, result in a Material Adverse Effect;

(ac) The Company, Holding and Holding's subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing

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assets at reasonable intervals and appropriate action is taken with respect to any differences; and

(ad) To the best knowledge of the Company and Holding, the representations and warranties with respect to the matters covered in paragraphs (d), (j) (other than clause (i) thereof), (m), (n), (o), (t), (u), (v), (w) and (x) of this Section 1 are true and correct with respect to each of the cable systems or the companies owning the cable systems, as the case may be, being acquired in the pending acquisitions described in "Business - Acquisitions - Pending Acquisitions" in the Prospectus (each such cable system or company being deemed to be a subsidiary of Holding for purposes of such representations and warranties).

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $______, the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to 21,675,000 Optional Shares, at the purchase price per share set forth in the paragraph above, for the purpose of covering over-allotments in the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

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4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company, shall be delivered by or on behalf of the Company to Goldman, Sachs & Co., through the facilities of The Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to Goldman, Sachs & Co. at least forty-eight hours in advance. The Company will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on November _, 1999 or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery."

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(m) hereof, will be delivered at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company and Holding, jointly and severally, agree with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if

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applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 10:00 A.M. New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more

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after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, the Company and Holding will not offer, sell, contract to sell or otherwise dispose of, except as provided hereunder and under the International Underwriting Agreement, any securities of the Company or Holding that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or Class B Stock or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), or file any registration statement under the Act (other than a registration statement on Form S-8 covering Stock that may issued pursuant to the exercise of options under Holding's option plan described in the Prospectus, or, registration statements on Form S-1 covering resales of Stock that may be issued to persons or entities receiving Stock or Membership Units in connection with the Rifkin, Falcon and Bresnan acquisitions, as described in the Prospectus) or enter into hedging transactions with respect to any of the foregoing, without your prior written consent, except that this Section 5(e) shall not prevent the Company or Holding from offering and selling convertible debt, convertible preferred or other equity securities to finance a portion of the purchase price for Bresnan Communications Limited Partnership;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' and members' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders of the Company; and to deliver to you as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or

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any national securities exchange on which any class of securities of the Company is listed;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement and the International Underwriting Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to have the Shares approved for quotation on the Nasdaq National Market ("Nasdaq");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act; and

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

6. The Company and Holding, jointly and severally, covenant and agree with the several Underwriters that the Company and Holding, jointly and severally, will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's and Holding's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the International Underwriting Agreement, the Agreement between Syndicates, the Selling Agreement, the Blue Sky Memorandum, closing documents (including compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) all fees and expenses in connection with listing the Shares on Nasdaq; (v) the filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with, securing any required review by the National Association of

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Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates; (vii) the cost and charges of any transfer agent or registrar; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and Holding herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and Holding shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Debevoise & Plimpton, counsel for the Underwriters, shall have furnished to you such opinion (a draft of such opinion is attached as Annex II(a) hereto), dated such Time of Delivery, with respect to the matters covered in paragraphs (i), (ii), (v), (viii) (as to the Stock and the Membership Units) and (x) of subsection (c) below as well as such other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Paul, Hastings, Janofsky & Walker LLP, counsel for the Company and Holding, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex II(b) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware; Holding has been duly formed and is validly existing as a limited liability company in good standing

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under the laws of the State of Delaware; and each of the Company and Holding has power and authority (corporate or other) to own or lease its properties and conduct its business as described in the Prospectus and to execute, deliver and perform its obligations under this Agreement;

(ii) The Company has an authorized capitalization as set forth under the caption "Capitalization" in the Prospectus and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable, and the Shares conform in all material respects to the description thereof contained in the Prospectus; the Firm Shares, when issued and delivered, against payment thereof as contemplated by this Agreement, will be duly and validly authorized and issued, fully paid and non-assessable;

(iii) Holding has an authorized capitalization as set forth in the Prospectus, and all of the issued and outstanding Membership Units have been duly and validly authorized and issued and are fully paid and non-assessable, and the Membership Units conform to the description thereof contained in the Prospectus;

(iv) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company, Holding or any of Holding's subsidiaries is a party or of which any property of the Company, Holding or any of Holding's subsidiaries is the subject which, if determined adversely to the Company, Holding or any of Holding's subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect; and, to the best of such counsel's knowledge and other than as set forth in the Prospectus, no such proceedings are overtly threatened by governmental authorities or by others;

(v) This Agreement and the International Underwriting Agreement have been duly authorized, executed and delivered by each of the Company and Holding;

(vi) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company and Holding with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not, to the best of such counsel's knowledge, result in any violation of the provisions of the Restated Certificate of Incorporation or Bylaws of the Company or the Certificate of Formation or Amended and Restated Limited Liability Company Agreement of Holding, or any Federal or New York statute or any order, rule or regulation of any Federal or New York State court or governmental agency or body having jurisdiction over the Company, Holding or Holding's subsidiaries or any of their properties;

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(vii) No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body referred to in paragraph (vi) is required for the issue and sale of the Shares or the consummation by the Company and Holding of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as have been obtained or may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters;

(viii) The statements set forth in the Prospectus under the captions "Description of Certain Indebtedness," "Description of Capital Stock and Membership Units," "Shares Eligible For Future Sale," and "Certain United States Tax Consequences for Non-United States Holders," insofar as they purport to describe the provisions of the laws, documents and arrangements referred to therein, fairly summarize such laws and documents in all material respects;

(ix) After giving effect to the offering and sale of the Shares, neither the Company nor Holding will be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act; and

(x) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements and related notes and schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder, although they do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, except for those referred to in the opinion;

Such counsel shall also state as follows: We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement or the Prospectus, except as described in specified paragraphs of the opinion. However, in connection with the preparation by the Company of the Registration Statement and the Prospectus, we participated in various discussions and meetings with the Underwriters' representatives, officers and other representatives of the Company, and representatives of the Company's independent public accountants at which the contents of the Registration Statement and the Prospectus were discussed. No information has come to our attention which causes us to conclude that (i) the Registration Statement at the time it became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the date hereof contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading (except, in each case in respect of the Registration Statement or the Prospectus or any supplement thereto, that we express no view as to financial statements and notes thereto, financial schedules and other financial information included therein and to the exhibits to the Registration Statement).

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(d) Curtis Shaw, Esq., General Counsel of the Company and Holding, shall have furnished to you his written opinion (a draft of such opinion is attached as Annex II(c) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) Each subsidiary of Holding listed on a schedule attached to such counsel's opinion (the "Charter Subsidiaries") has been duly incorporated or formed, as the case may be, and is validly existing as a corporation or limited liability company, as the case may be, in good standing under the laws of its jurisdiction of incorporation or formation; and all of the issued shares of capital stock or limited liability company interests, as the case may be, of each Charter Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by Holding, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect to matters of fact upon certificates of officers of Holding or its subsidiaries);

(ii) Each of the Company, Holding and the Charter Subsidiaries has been duly qualified as a foreign corporation or limited liability company, as the case may be, for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, and is subject to no liability or disability by reason of failure to be so qualified in any such jurisdiction, except where the failure to be so qualified would not, individually and in the aggregate, have a Material Adverse Effect (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company, Holding or Holding's subsidiaries);

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(iii) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company and Holding with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not, to the best of his knowledge, result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, lease, license, permit or other agreement or instrument to which the Company, Holding or any of Holding's subsidiaries is a party or by which the Company, Holding or any of Holding's subsidiaries is bound or to which any of the properties or assets of the Company, Holding or any of Holding's subsidiaries is bound or to which any of the property or assets of the Company, Holding or any of Holding's subsidiaries is subject other than such breaches, violations or defaults which would not, individually and in the aggregate, have a Material Adverse Effect and would not have the effect of preventing the Company or Holding from performing any of their respective obligations under this Agreement, nor will such action result in any violation of any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company, Holding or any of Holding's subsidiaries or any of their properties;

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(iv) None of the Company, Holding or any of Holding's subsidiaries is (i) in violation of its certificate of incorporation, by-laws, certificate of formation, limited liability company agreement or other organizational document, as the case may be, (ii) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease, license, permit or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, or (iii) in violation of the terms of any franchise agreement, or any law, statute, rule or regulation or any judgment, decree or order, in any such case, of any court or governmental or regulatory agency or other body having jurisdiction over the Company, Holding or Holding's subsidiaries or any of their properties or assets, including, without limitation, the Cable Acts or any order, rule or regulation of the FCC, except, in the case of clauses (ii) and (iii), such as would not, individually and in the aggregate, have a Material Adverse Effect; and

(v) To the best knowledge of such counsel and other than as set forth in the Prospectus, there are no persons with registration or similar rights to have any securities of the Company or Holding registered pursuant to the Registration Statement or otherwise registered under the Act, and there are no outstanding options, warrants or other rights calling for the issuance of, and no commitments, plans or arrangements to issue, any securities of the Company or Holding or any security convertible into or exchangeable for securities of the Company or Holding;

(e) Cole, Raywid & Braverman, L.L.P., special regulatory counsel to the Company and Holding, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex II(d) hereto), dated such Time of Delivery, in form and substance reasonably satisfactory to you, to the effect that:

(i) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company and Holding with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated do not and will not contravene the Cable Acts or any order, rule or regulation of the FCC to which the Company, Holding or any of Holding's subsidiaries or any of their properties is subject;

(ii) To the best of such counsel's knowledge, no consent, approval, authorization or order of, or registration, qualification or filing with, the FCC is required under the Cable Acts or any order, rule or regulation of the FCC in connection with the issue and sale of the Shares being delivered at such Time of Delivery and the compliance by the Company and Holding with all of the provisions of this Agreement and the International

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Underwriting Agreement and the consummation of the transactions herein and therein contemplated;

(iii) The statements set forth in the Prospectus in the "Risk Factors" section under the subheading "Risks Related to Regulatory and Legislative Matters" and in "Regulation and Legislation," insofar as they constitute summaries of laws referred to therein, concerning the Cable Acts and the published rules, regulations and policies promulgated by the FCC thereunder, fairly summarize the matters described therein;

(iv) To the knowledge of such counsel based solely upon its review of publicly available records of the FCC and operational information provided by the Company's, Holding's and Holding's subsidiaries' management, the Company, Holding and Holding's subsidiaries hold all FCC licenses for cable antenna relay services necessary to conduct the business of the Company, Holding and Holding's subsidiaries as currently conducted, except to the extent the failure to hold such FCC licenses would not, individually and in the aggregate, be reasonably expected to have a Material Adverse Effect;

(v) Except as disclosed in the Prospectus and except with respect to rate regulation matters, and general rulemakings and similar matters relating generally to the cable television industry, to such counsel's knowledge, based solely upon its review of the publicly available records of the FCC and upon inquiry of the Company's, Holding's and Holding's subsidiaries' management, during the time the cable systems of the Company, Holding and Holding's subsidiaries have been owned by the Company, Holding and Holding's subsidiaries (A) there has been no adverse FCC judgment, order or decree issued by the FCC relating to the ongoing operations of any of the Company, Holding or Holding's subsidiaries that has had or could reasonably be expected to have a Material Adverse Effect; and (B) there are no actions, suits, proceedings, inquiries or investigations by or before the FCC pending or threatened in writing against or specifically affecting the Company, Holding or any of Holding's subsidiaries or any cable system of the Company, Holding or any of Holding's subsidiaries which could, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect;

(f) Richards, Layton & Finger, special Delaware counsel to the Company and Holding, shall have furnished to you their written opinion, dated such Time of Delivery, confirming their written opinion, dated October 18, 1999, previously delivered to you (a copy of the October 18th opinion is attached as Annex II(e) hereto);

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(g) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, each of Arthur Andersen LLP, KPMG LLP, Ernst & Young LLP and PricewaterhouseCoopers LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letters delivered prior to the execution of this Agreement are attached as Annex I(a) hereto and a draft of the form of letters to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(h) (i) None of the Company, Holding or any of Holding's subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock, limited liability company interests or long-term debt of the Company, Holding or any of Holding's subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' or members' equity, or results of operations of the Company, Holding and Holding's subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(i) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the debt securities of any of Holding's subsidiaries by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the debt securities of any of Holding's subsidiaries;

(j) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on Nasdaq; (ii) a suspension or material limitation in trading in the Company's securities on Nasdaq; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Representatives makes it

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impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(k) The Shares to be sold at such Time of Delivery shall have been duly approved for quotation on Nasdaq;

(l) The Company has obtained and delivered to the Underwriters executed copies of an agreement from the persons and entities named in Schedule II hereto, substantially to the effect set forth in Subsection 5(e) hereof in form and substance satisfactory to you;

(m) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement;

(n) The Company and Holding shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and Holding satisfactory to you as to the accuracy of the representations and warranties of the Company and Holding herein at and as of such Time of Delivery, as to the performance by the Company and Holding of all of their obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (h) of this Section and as to such other matters as you may reasonably request;

(o) Mr. Paul G. Allen, through Vulcan III, shall have purchased additional Membership Units in Holding for a purchase price of $750 million at a price per membership unit equal to the net initial public offering price for the Shares;

(p) The Amended and Restated Limited Liability Company Agreement of Holding shall have been duly executed and delivered by the parties thereto;

(q) Charter Investment shall have assigned to the Company all of its rights and obligations under the Amended and Restated Management Agreement, dated March 17, 1999, between Charter Communications Operating, LLC and Charter Investment; the Company and Holding shall have entered into a management agreement, as described in the Prospectus; and the Company and Charter Investment shall have entered into a services agreement, as described in the Prospectus;

(r) The executive officers identified in the Prospectus as executive officers of the Company shall have been duly appointed as officers of the Company and the Company shall

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have assumed all obligations of Charter Investment under each of their employment agreements, if any; and

(s) Charter Investment shall have assigned to Holding all of its rights and obligations under Charter Investment's agreements described in the Prospectus as being assigned to Holding.

8. (a) The Company and Holding, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company and Holding shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company and Holding against any losses, claims, damages or liabilities to which the Company and Holding may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company and Holding for any legal or other expenses reasonably incurred by the Company and Holding in connection with investigating or defending any such action or claim as such expenses are incurred.

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(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Any indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties. The Company and Holding shall not be required to indemnify the Underwriters for any amounts paid or payable by the Underwriters in the settlement of any action, proceeding or investigation without the written consent of the Company to such settlement, which consent shall not be unreasonably withheld. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and Holding on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under Subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified

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party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and Holding on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and Holding on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company and Holding bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and Holding on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, Holding and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and Holding under this Section 8 shall be in addition to any liability which the Company and Holding may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and Holding (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company and Holding within the meaning of the Act.

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9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter, the Company or Holding, except for the expenses to be borne by the Company, Holding and the Underwriters as provided in Section 6

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hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, Holding and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, Holding or any officer or director or controlling person of the Company or Holding, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company and Holding shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but if, for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company and Holding will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and Holding shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 32 Old Slip, 21st Floor, New York, New York 10005, Attention: Registration Department; and if to the Company or Holding shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, Holding and, to the extent provided in Sections 8 and 10 hereof, the

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officers and directors of the Company and Holding and each person who controls the Company, Holding or any Underwriter, and their respective heirs, executors, administrators and successors, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us twelve counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Company and Holding. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (U.S. Version), the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Charter Communications, Inc.

By: _____________________________
Name:
Title:

Charter Communications Holding Company, LLC

By: _____________________________
Name:
Title:

Accepted as of the date hereof:

Goldman, Sachs & Co.
Bear, Stearns & Co. Inc.
Morgan Stanley & Co. Incorporated
Donaldson, Lufkin & Jenrette Securities Corporation
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Salomon Smith Barney Inc.
A. G. Edwards & Sons, Inc.
M. R. Beal & Company

By: _____________________________
Name:
Title:

For themselves and as representatives of the several Underwriters.

SCHEDULE I

| UNDERWRITER | TOTAL NUMBER OF FIRM SHARES TO BE PURCHASED | NUMBER OF OPTIONAL SHARES TO BE PURCHASED IF MAXIMUM OPTION EXERCISED |
|---|---|---|
| Goldman, Sachs & Co. | | |
| Bear, Stearns & Co. Inc. | | |
| Morgan Stanley & Co. Incorporated | | |
| Donaldson, Lufkin & Jenrette Securities Corporation | | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | | |
| Salomon Smith Barney Inc. | | |
| A. G. Edwards & Sons, Inc. | | |
| M. R. Beal & Company | | |
| [Names of other Underwriters] | | |
| Total | | |

SCHEDULE II

Charter Investment, Inc.
Vulcan Cable III Inc.
Paul G. Allen
William D. Savoy
Jerald L. Kent
David G. Barford
Mary Pat Blake
Eric A. Freesmeier
Thomas R. Jokerst
Kent D. Kalkwalf
Ralph G. Kelly
David L. McCall
John C. Pietri
Steven A. Schumm
Curtis S. Shaw
Steven E. Silva
Ronald L. Nelson
Nancy B. Peretsman
Howard L. Wood
Marc B. Nathanson
Barry L. Babcock
Thomas R. Schaeffer, Jr.
J. Christian Fenger
Gene F. Knoblauch
David Kelly
John E. Fuhler
Timothy S. Morrison
Ennis C. Whitehead III
David B. Miller
Farrell Moseley
David O. Niswonger III
Paul W. Sly
Peter M. Cirelli
Edward J. Glaser
Laurie A. Nicholson
George C. Rosehart
Patrick J. Hayes
Vernon C. Kahler
Raymond Kowalinski
John Santangelo
Wesley E. Hart
Patricia J. Busby
Hugh Maceachern
Donald J. Vollmayer, Jr.

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Susan E. McLaughlin
Terry M. Cordova
Patrick M. Murphy
Larry F. Schutz
Nicholas L. Theroux
Paul R. Estes
Eloise A. Engman
Heather L. Wood
John R. McFerron
Don R. Johnson
Dorothy A. Ewing
Richard A. Lang
Melvin Z. Bryant
Peter P. Eliason
James A. Holanda
Joshua L. Jamison
Ronald M. Johnson
Michael D. McDonald
Robert A. Schwietz
Davis J. Warehime
Susie C. Holliday
Patricia L. McCaskill
Trudi M. Foushee
Marcy A. Lifton
Linda C. Reisner
Celeste M. Vossmeyer
Thomas M. Degnan
Mark J. Bogart
Joseph A. Carnicia
James C. Rice
Julie M. Maune

ANNEX I

FORM OF COMFORT LETTER

Pursuant to Section 7(d) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company, Holding and Holding's subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished separately to the representatives of the Underwriters (the "Representatives");

(iii)They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus as indicated in their reports thereon copies of which [have been separately furnished to the Representatives][are attached hereto] and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years which were included or incorporated by reference in the Company's Annual Reports on Form 10-K for such fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Items 301, 302, 402 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and Holding and its subsidiaries, inspection of the minute books of the Company and Holding and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and Holding and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the consolidated long-term debt of the Company, Holding and Holding's subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company, Holding and Holding's subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company, Holding and Holding's subsidiaries and have found them to be in agreement.

EXHIBIT 5.1

PAUL, HASTINGS, JANOFSKY & WALKER LLP
399 Park Avenue
New York, New York 10022

November 1, 1999

Charter Communications, Inc.
12444 Powerscourt Drive
St. Louis, Missouri 63131

Re: Charter Communications, Inc.
Registration Statement on Form S-1

Ladies and Gentlemen:

This opinion is delivered in our capacity as counsel to Charter Communications, Inc., a Delaware company ("the Company"), in connection with the Company's registration statement on Form S-1 (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the registration by the Company of up to 172,500,000 shares of common stock, par value $.001 per share (the "Shares").

In connection with this opinion, we have examined copies or originals of such documents, resolutions, certificates and instruments of the Company as we have deemed necessary to form a basis for the opinion hereinafter expressed. In addition, we have reviewed such other instruments and documents as we have deemed necessary to form a basis for the opinion hereinafter expressed. In our examination of the foregoing, we have assumed, without independent investigation, (i) the genuineness of all signatures, and the authority of all persons or entities signing all documents examined by us and (ii) the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all copies submitted to us as certified, conformed or photostatic copies. With regard to certain factual matters, we have relied, without independent investigation or verification, upon statements and representations of representatives of the Company.

Based upon and subject to the foregoing, we are of the opinion, as of the date hereof, that the Shares, when issued and delivered in the manner set forth in the Registration Statement, will be validly issued, fully paid and nonassessable.

We hereby consent to being named as counsel to the Company in the Registration Statement, to the references therein to our firm under the caption "Legal Matters" and to the inclusion of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Paul, Hastings, Janofsky & Walker LLP

Exhibit 10.10(c)

AMENDMENT NO. 1 TO THE
CHARTER COMMUNICATIONS HOLDINGS, LLC
1999 OPTION PLAN

This Amendment No. 1 (the "Amendment") to the Charter Communications Holdings, LLC 1999 Option Plan (the "Plan"), made pursuant to action of the Board of Directors of Charter Communications Holding Company, LLC, as assignee of Charter Communications Holdings, LLC, and Kent (as defined in the Plan), pursuant to Section 8.1 of the Plan, is dated as of November ___, 1999. The Plan is hereby amended as follows:

1. Section 1 is amended by adding the definitions of "Exchange Agreement" and "Public Company Value" and amending and restating the definition of "Fair Market Value" in its entirety, as follows:

"(p) "Exchange Agreement" means that certain Exchange Agreement to be entered into by and among the Public Company, CCI (now Charter Investment, Inc.), Vulcan Cable III Inc. and Allen."

"(r) "Fair Market Value" means the fair market value of the Company:

(1) as determined by the Administrator prior to the consummation of an Initial Public Offering; and

(2) according to the following formula from and after the consummation of an Initial Public Offering: (a) the Public Company Value, divided by (b) the Percentage Interest of the Company represented by the Public Company's Membership Interest."

"(ff) "Public Company Value" means either (a) if the conditions set forth in Sections 2.2.1 and 2.2.2 of the Exchange Agreement are satisfied, (x) the Share Value, multiplied by (y) the total number of outstanding shares of common stock of the Public Company, assuming the exercise of all options, warrants or other similar rights held by any person to purchase common stock of the Public Company; or (b) if the conditions set forth in Sections 2.2.1 and 2.2.2 of the Exchange Agreement are not satisfied, the amount that would be distributed to the Public Company upon the liquidation of the Company, as calculated in accordance with Section 2.3(b) of the Exchange Agreement."

2. The remaining paragraph references included in Section 1 are hereby amended as appropriate to provide for the addition of the definitions of "Exchange Agreement" and "Public Company Value."

3. Section 8.3 is amended and restated in it entirety as follows:

"8.3 Effect of Termination, Amendment or Modification of Plan. Notwithstanding Sections 8.1 and 8.2, no termination, amendment or modification of the Plan shall in any manner affect adversely any Option theretofore granted under the Plan without the consent of the Optionee or a person who shall have acquired the right to exercise the Option by will or the laws of descent or distribution."

The terms of the Plan shall remain in full force and effect without modification or amendment except as expressly set forth herein.

Exhibit 10.12(b)

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

FOR

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC
A DELAWARE LIMITED LIABILITY COMPANY

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH MEMBERSHIP INTERESTS MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE MEMBERSHIP INTERESTS REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS, AND CONDITIONS WHICH ARE SET FORTH HEREIN.

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# AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT FOR CHARTER COMMUNICATIONS HOLDING COMPANY, LLC A DELAWARE LIMITED LIABILITY COMPANY

This Amended and Restated Limited Liability Company Agreement for Charter Communications Holding Company, LLC, a Delaware limited liability company ("COMPANY"), is made and entered into effective as of ______, 1999 ("EFFECTIVE TIME"), by and among the individuals and entities listed on Schedule A attached hereto, with reference to the following facts:

A. A Certificate of Formation of the Company was filed with the Delaware Secretary of State on May 25, 1999. The Company was formed and has been heretofore operated pursuant to the Limited Liability Company Agreement entered into and made effective as of May 25, 1999 by Charter Investment, Inc. (formerly known as Charter Communications, Inc.), a Delaware corporation ("CII"), as amended and restated by (i) that certain Amended and Restated Limited Liability Company Agreement entered into and made effective as of August 10, 1999, by and between CII and Vulcan Cable III Inc., a Delaware corporation ("VULCAN CABLE") and (ii) that certain Amended and Restated Limited Liability Company Agreement entered into and made effective as of September 14, 1999, by and among CII, Vulcan Cable, and certain other investors (the "EXISTING LLC AGREEMENT").

B. CII has previously contributed its entire one hundred percent (100%) limited liability company interest in Charter Communications Holdings, LLC, a Delaware limited liability company, to the Company. Vulcan Cable has contributed cash and assets valued in the aggregate, at the time of the contribution, at One Billion Three Hundred Twenty-Five Million Dollars ($1,325,000,000).

C. Pursuant to (i) that certain Purchase and Sale Agreement dated as of April 26, 1999 by and among the sellers listed on the signature pages thereto, Rifkin Acquisition Partners, L.L.L.P., and CII, (ii) that certain Purchase and Sale Agreement dated as of April 26, 1999 by and among the sellers listed on the signature pages thereto, InterLink Communications Partners, LLLP, and CII (the agreements described in clauses (i) and (ii) are collectively referred to herein as the "RIFKIN PURCHASE Agreement," and all signatories to the Rifkin Purchase Agreement other than CII, Rifkin Acquisition Partners, L.L.L.P., and InterLink Communications Partners, LLLP are collectively referred to herein as the "RIFKIN SELLERS"), and (iii) that certain Contribution Agreement dated as of September 14, 1999, by and among Charter Communications Operating, LLC, the Company, and the persons listed on the signature pages thereto (the "RIFKIN CONTRIBUTION AGREEMENT"), some of the Rifkin Sellers have contributed certain assets to the Company.

D. Charter Communications, Inc., a newly formed Delaware corporation ("PUBLICCO"), is effecting an initial public offering of its stock (the "IPO") and contributing to the Company (i) certain assets acquired utilizing certain proceeds of the IPO and (ii) the remaining net proceeds of the IPO, in order to acquire an interest in the Company and become a Member of the Company. In connection therewith, Vulcan Cable is contributing at the time of the IPO an additional Seven Hundred Fifty Million Dollars ($750,000,000) in cash to the Company.

E. It is contemplated that pursuant to that certain Purchase and Contribution Agreement dated as of May 26, 1999, by and among CII, Falcon Communications, L.P., Falcon Holding Group, L.P. ("FHGLP"), TCI Falcon Holdings, LLC, Falcon Cable Trust, Falcon Holding Group, Inc., and DHN Inc., as amended (the "FALCON PURCHASE AGREEMENT") (all such signatories to the Falcon Purchase Agreement other than CII and Falcon Communications, L.P. are collectively referred to herein as the "FALCON SELLERS"), FHGLP will contribute certain assets to the Company and become a Member of the Company.

F. It is contemplated that pursuant to that certain Purchase and Contribution Agreement dated as of June 29, 1999, by and among BCI (USA), LLC, William J. Bresnan, Blackstone BC Capital Partners, L.P., Blackstone BC Offshore Capital Partners, L.P., Blackstone Family Investment Partnership III L.P., TCI Bresnan LLC, TCID of Michigan, Inc., and the Company (the "BRESNAN PURCHASE AGREEMENT") (all such signatories to the Bresnan Purchase Agreement other than the Company are collectively referred to herein as the "BRESNAN SELLERS"), all or some of the Bresnan Sellers will contribute certain assets to the Company and become Members of the Company.

G. The parties desire to adopt and approve this Agreement, as the limited liability company agreement for the Company, to establish their rights and responsibilities and to govern their relationships.

NOW, THEREFORE, the Members hereby agree to amend and restate the Existing LLC Agreement in its entirety as follows:

## ARTICLE I

## DEFINITIONS

When used in this Agreement, unless the context otherwise requires, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this Article I shall have the meanings set forth elsewhere in this Agreement):

1.1 "Act" means the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq., as the same may be amended from time to time.

1.2 "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Allocation Period, after giving effect to the following adjustments:

1.2.1 Credit to such Capital Account any amounts that such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5);

1.2.2 Credit to such Capital Account the amount of the deductions and losses referable to any outstanding recourse liabilities of the Company owed to or guaranteed by such Member (or a related person within the meaning of Regulations Section 1.752-4(b)) to the extent that no other Member bears any economic risk of loss and the amount of the deductions and losses referable to such Member's share (determined in accordance with the Member's Percentage Interest) of outstanding recourse liabilities owed by the Company to non-Members to the extent that no Member bears any economic risk of loss; and

1.2.3 Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.3 "Affiliate" of any Person shall mean any other Person that, directly or indirectly, controls, is under common control with or is controlled by that Person. For purposes of this definition, "control" (including, with its correlative meanings, the terms "controlled by" and "under common control with"), 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 and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

1.4 "Agreement" means this Amended and Restated Limited Liability Company Agreement, as originally executed and as amended and/or restated from time to time.

1.5 "Allocated Tax Deductions" has the meaning set forth in Section 6.5.2(c).

1.6 "Allocation Period" means the Company's fiscal year, which shall be the calendar year, or any portion of such period for which the Company is required to allocate Net Profits, Net Losses, or other items of Company income, gain, loss, or deduction pursuant hereto.

1.7 "Approval of the Class A Common Members" means the affirmative vote, approval or consent of Members holding more than fifty percent (50%) of the Class A Common Units.

1.8 "Approval of the Members" means the affirmative vote, approval or consent of Members holding more than fifty percent (50%) of the Class B Common Units, provided that if at any time a court of competent jurisdiction shall hold that the Class B Common Stock of PublicCo is not entitled to vote, or shall enjoin the holders of the Class B Common Stock of PublicCo from exercising voting rights, (a) to elect solely all but one of the directors of PublicCo (except for any director(s) elected separately by the holders of one or more series of preferred stock of PublicCo), (b) on any other matter subject to a PublicCo shareholder vote, on the basis of (x) ten (10) votes for each share of Class B Common Stock of PublicCo held by the holders of Class B Common Stock, and for each share of Class B Common Stock for which any Units held directly or indirectly by such Persons are exchangeable, divided by (y) the number of shares of Class B Common Stock owned by such Persons, or (c) as a separate class, as to certain specified matters in the PublicCo's certificate of incorporation, as amended from time to time, that adversely affect the Class B Common Stock relating to issuance of Class B Common Stock and other equity securities other than Class A Common Stock or affecting the voting power of the Class B Common Stock, "Approval of the Members" means the affirmative vote, approval or consent of Members holding more than fifty percent (50%) of the Common Units. The conversion of all outstanding shares of Class B Common Stock into shares of Class A Common Stock in accordance with Clause (b)(viii) of Article Fourth of PublicCo's certificate of incorporation as of the Effective Time shall not constitute an event described in the proviso of the preceding sentence.

1.9 "Bankruptcy" means, with respect to any Person: (a) the filing of an application by such Person for, or such Person's consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to such Person in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by such Person of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of such Person unless the proceedings and the trustee, receiver, or custodian appointed are dismissed within one hundred twenty (120) days; or (e) the failure by such Person generally to pay such Person's debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of such Person's inability to pay its debts as they become due.

1.10 "Baseline Tax Deductions" has the meaning set forth in Section 6.5.2(c).

1.11 "Basis" means the adjusted basis of an asset for federal income tax purposes.

1.12 "Board" has the meaning set forth in Section 5.2.1 of this Agreement.

1.13 "Bresnan Contributed Interest" has the meaning ascribed to the term "Contributed Interest" in Section 2.1(b) of the Bresnan Purchase Agreement.

1.14 "Bresnan Exchange Agreement" means the Exchange Agreement entered into as of the Class C Common Measuring Date by and among PublicCo and Bresnan Holders.

1.15 "Bresnan Holder" means each of the Bresnan Sellers who elects to receive Class C Common Units pursuant to the Bresnan Purchase Agreement.

1.16 "Bresnan Keepwell Agreement" means the letter agreement dated February 2, 1999 addressed to Bresnan Communications Company Limited Partnership and entered into among it and TCI Bresnan LLC, Beatrice Cable TV Company, TCI of Illinois, Inc., Heritage Cablevision of South East Massachusetts, Inc., TCI of Southern Minnesota, Inc., TCI Cablevision of Nebraska, Inc., WestMarc Development, Inc. and TCID of Michigan, Inc.

1.17 "Bresnan Permitted Transferee" means (i) with respect to TCI Bresnan LLC and TCID of Michigan, Inc., any entity controlled by AT&T Corp., and (ii) with respect to BCI (USA), LLC and William J. Bresnan, (x) any affiliate of William J. Bresnan that is, directly or indirectly, at least eighty percent (80%) owned or controlled by William J. Bresnan, (y) William J. Bresnan's spouse and descendants (including spouses of his descendants), any trust established solely for the benefit of any of the foregoing individuals, or any partnership or other entity at least eighty percent (80%) owned or controlled directly or indirectly by any of the foregoing persons, or (z) William J. Bresnan.

1.18 "Bresnan Purchase Agreement" has the meaning set forth in the recitals to this Agreement.

1.19 "Bresnan Put Agreement" means the Put Agreement entered into as of the Class C Common Measuring Date by and among Bresnan Holders and Paul G. Allen.

1.20 "Bresnan Sellers" has the meaning set forth in the recitals to this Agreement.

1.21 "Bresnan Tag-Along Agreement" means the Tag-Along Agreement dated as of the Class C Common Measuring Date by and among BCI (USA), LLC, William J. 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., TCI Bresnan LLC, Paul G. Allen, and CII.

1.22 "Bresnan-TCI Put Agreement" means the TCI Put Agreement entered into as of the Class C Common Measuring Date by and among the Company, TCI Bresnan LLC, and TCID of Michigan, Inc..

1.23 "Cable Transmission Business" has the meaning set forth in Section 2.5 of this Agreement.

1.24 "Capital Account" means with respect to any Member the capital account that the Company establishes and maintains for such Member pursuant to Section 3.3 herein.

1.25 "Capital Contribution" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Company with respect to the interest in the Company held by such Person. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or a Person related to the maker of the note within the meaning of Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Person until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

1.26 "Certificate" means the Certificate of Formation of the Company originally filed with the Delaware Secretary of State, as amended and/or restated from time to time.

1.27 "Charter Value" equals the sum of (i) Eleven Billion Two Hundred Seventy-Two Million Seven Hundred Thousand Dollars ($11,272,700,000) less liabilities of the Company and its Subsidiaries (determined on a consolidated basis in accordance with generally accepted accounting principles) on the Class D Common Measuring Date, (ii) with respect to assets that are acquired by the Company or its Subsidiaries on or after May 26, 1999 and on or before the Class D Common Measuring Date (other than assets described in clauses (iii) and (iv)), the product of 17 and the projected operating cash flow of such assets for the calendar year ended December 31, 2000, determined in a manner consistent with information provided to Falcon on May 24, 1999 (the "Cash Flow Projections"), (iii) the purchase price (including liabilities assumed) of assets that are acquired by the Company from parties related to CII (other than assets acquired by CII or any of its Affiliates from unrelated third parties and contributed to the Company on or after May 26, 1999 and on or before the Class D Common Measuring Date) for a purchase price less than Ten Million Dollars ($10,000,000) in the aggregate, (iv) the value of assets that are acquired by the Company from parties related to CII (other than assets acquired by CII or any of its Affiliates from unrelated third parties and contributed to the Company on or before the Class D Common Measuring Date and other than assets described in clause (iii)) which value shall be determined by the Board and Jerald Kent in good faith, and (v) with respect to assets that are subject to definitive agreements prior to the Class D Common Measuring Date, but which have not been acquired by the Company or its Subsidiaries on or before the Class D Common Measuring Date, the product of 17 and the projected operating cash flow of such assets for the calendar year ended December 31, 2000, determined in a manner consistent with the Cash Flow Projections.

1.28 "CII" has the meaning set forth in the recitals to this Agreement.

1.29 "CII Exchange Agreement" means the Exchange Agreement dated as of the Class B Common Measuring Date by and among PublicCo, CII, Vulcan Cable, and Paul G. Allen, including, to the extent provided thereunder, the Tax Agreement attached as Exhibit A thereto.

1.30 "Class A Common Contributed Property" means each property (other than cash) contributed by the Class A Common Members, in exchange for Class A Common Units.

1.31 "Class A Common Member" means any Member holding and to the extent it holds Class A Common Units.

1.32 "Class A Common Stock" means any common stock of PublicCo denominated "Class A Common."

1.33 "Class A Common Units" means any Unit denominated "Class A Common."

1.34 "Class A Preferred Contributed Amount" means, with respect to each Class A Preferred Member, the sum of the net values of all of the Class A Preferred Contributed Properties contributed by such Class A Preferred Member on the Class A Preferred Measuring Date, as set forth on Schedule A.

1.35 "Class A Preferred Contributed Property" means each property (other than cash) contributed to the Company by Class A Preferred Members, in exchange for Class A Preferred Units.

1.36 "Class A Preferred Measuring Date" means September 14, 1999.

1.37 "Class A Preferred Member" means any Member holding and to the extent it holds Class A Preferred Units.

1.38 "Class A Preferred Return Amount" means with respect to any Class A Preferred Unit the amount determined by applying an eight percent (8%) per annum simple rate to the Class A Preferred Contributed Amount represented by such Class A Preferred Unit set forth on Schedule A for the period beginning on the Class A Preferred Measuring Date and ending on the date (i) on which any such Unit is redeemed by the Company, (ii) on which any such Unit is Transferred to PublicCo or another Person pursuant to the Rifkin Contribution Agreement, the Rifkin Put Agreement, or this Agreement, or (iii) on which liquidating distributions are made with respect to such Unit pursuant to Article IX; provided, however, that the Class A Preferred Return Amount shall not accrue for any days for which an interest payment accrues under the Rifkin Put Agreement.

1.39 "Class A Preferred Units" means any Unit denominated "Class A Preferred."

1.40 "Class B Common Change Date" means January 1, 2004.

1.41 "Class B Common Contributed Property" means each property (other than cash) contributed by the Class B Common Members, in exchange for Class B Common Units.

1.42 "Class B Common Measuring Date" means the date on which PublicCo contributes the net proceeds of the IPO (less certain amounts retained to acquire certain assets pursuant to PublicCo's existing obligations as of such date) to the Company and Class B Common Units are issued by the Company to PublicCo.

1.43 "Class B Common Member" means any Member holding and to the extent it holds Class B Common Units.

1.44 "Class B Common Stock" means any common stock of PublicCo denominated "Class B Common."

1.45 "Class B Common Units" means any Unit denominated "Class B Common."

1.46 "Class C Common Change Date" means January 1, 2005.

1.47 "Class C Common Contributed Property" means each property (other than cash) contributed by the Class C Common Members, in exchange for Class C Common Units.

1.48 "Class C Common Measuring Date" means the date on which the Class C Contributed Property and cash, if any, are contributed to the Company and Class C Common Units are issued by the Company to the Bresnan Holders pursuant to the Bresnan Purchase Agreement.

1.49 "Class C Common Member" means any Member holding and to the extent it holds Class C Common Units.

1.50 "Class C Common Units" means any Unit denominated "Class C Common."

1.51 "Class D Common Measuring Date" means the date on which the Falcon Contributed Interest is contributed to the Company and Class D Common Units are issued by the Company to FHGLP pursuant to the Falcon Purchase Agreement.

1.52 "Class D Common Member" means any Member holding and to the extent it holds Class D Common Units.

1.53 "Class D Common Units" means any Unit denominated "Class D Common."

1.54 "Code" means the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

1.55 "Combined Book Profits" and "Combined Book Losses" mean, for any Allocation Period, an amount equal to the Company's Net Profits or Net Losses for such Allocation Period, with the following adjustment: all items of Company deduction for Depreciation that are specially allocated pursuant to Section 6.3.7 hereof shall be taken into account in computing Combined Book Profits or Combined Book Losses.

1.56 "Common Members" means Members holding and to the extent they hold Common Units.

1.57 "Common Units" means any Unit denominated "Common," including Class A Common Units, Class B Common Units, Class C Common Units, Class D Common Units, and any Units so designated that may be hereafter issued by the Company.

1.58 "Company" has the meaning set forth in the preamble to this Agreement.

1.59 "Company Minimum Gain" has the meaning ascribed to the term "Partnership Minimum Gain" in Regulations Section 1.704-2(d).

1.60 "Company Notice" has the meaning set forth in Section 7.3.2 of this Agreement.

1.61 "Depreciation" means, for each Allocation Period, an amount equal to the Code Section 704(b) book depreciation, amortization, or other cost recovery deduction with respect to an asset for such Allocation Period, determined under the rules of Regulations Section 1.704-1(b)(2)(iv)(g)(3) or, if applicable, in the manner described in Regulations Section 1.704-3(d)(2).

1.62 "Depreciation Allocations" has the meaning set forth in Section 6.5.1 of this Agreement.

1.63 "Effective Time" has the meaning set forth in the preamble to this Agreement.

1.64 "Election Notice" has the meaning set forth in Section 7.3.3 of this Agreement.

1.65 "Exercising Member" has the meaning set forth in Section 7.3.4 of this Agreement.

1.66 "Existing LLC Agreement" has the meaning set forth in the recitals to this Agreement.

1.67 "Fair Market Value" has the meaning set forth in Section 7.3.1 of this Agreement.

1.68 "Falcon" means Falcon Communications, L.P., a California limited partnership.

1.69 "Falcon Cash Consideration" has the meaning ascribed to the term "Cash Consideration" in Section 2.3 of the Falcon Purchase Agreement.

1.70 "Falcon Companies" has the meaning set forth in Section 1.1 of the Falcon Purchase Agreement.

1.71 "Falcon Contributed Interest" has the meaning ascribed to the term "Contributed Interest" in Section 2.1(b) of the Falcon Purchase Agreement.

1.72 "Falcon Equity Value" has the meaning ascribed to the term "Equity Value" in Section 2.3(b) of the Falcon Purchase Agreement.

1.73 "Falcon Exchange Agreement" means the Exchange Agreement dated as of the Class D Common Measuring Date by and among PublicCo, FHGLP, and certain partners of FHGLP.

1.74 "Falcon Purchase Agreement" has the meaning set forth in the recitals to this Agreement.

1.75 "Falcon Purchased Interests" has the meaning ascribed to the term "Purchased Interests" in Section 2.1 of the Falcon Purchase Agreement.

1.76 "Falcon Put Agreement" means the Put Agreement dated as of the Class D Common Measuring Date by and between Paul G. Allen and FHGLP.

1.77 "Falcon Registration Rights Agreement" means the Registration Rights Agreement dated as of the Class D Common Measuring Date by and among PublicCo, FHGLP, and certain partners of FHGLP.

1.78 "Falcon Sellers" has the meaning set forth in the recitals to this Agreement.

1.79 "Falcon Tag-Along Agreement" means the Tag-Along Agreement dated as of the Class D Common Measuring Date by and among Paul G. Allen, CII, FHGLP, and certain partners of FHGLP.

1.80 "FHGLP" means Falcon Holding Group, L.P., a Delaware limited partnership.

1.81 "Gross Asset Value" means, with respect to any asset, the asset's Basis, except as follows:

1.81.1 Except as otherwise provided in the Rifkin Contribution Agreement, the Falcon Purchase Agreement, and the Bresnan Purchase Agreement or as otherwise provided on Schedule 6.7.1, the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Manager;

1.81.2 The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (a) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Company to a Member of more than a de minimis amount of Property as consideration for an interest in the Company; and (c) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

1.81.3 The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the distributee and the Manager; and

1.81.4 The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the Basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation Section 1.704-1(b)(2)(iv)(m) and Section 1.95.6 hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this Section 1.81.4 to the extent the Manager determines that an adjustment pursuant to Section 1.81.2 hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Section 1.81.4.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to Section 1.81.1, Section 1.81.2, or Section 1.81.4 hereof, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

1.82 "Higher Initial Appraisal" has the meaning set forth in Section 7.3.1(b) of this Agreement.

1.83 "Incidental Business" has the meaning set forth in Section 2.5 of this Agreement.

1.84 "IPO" has the meaning set forth in the recitals to this Agreement.

1.85 "Lower Initial Appraisal" has the meaning set forth in Section 7.3.1(b) of this Agreement.

1.86 "Manager" has the meaning set forth in Section 5.1.1 of this Agreement.

1.87 "Member" means each Person who is listed on Schedule A as a Member and any additional or substitute Member admitted to the Company as a member of the Company in accordance with the terms of this Agreement (so long as such Person holds a Membership Interest in the Company).

1.88 "Member Nonrecourse Debt" has the meaning ascribed to the term "Partner Nonrecourse Debt" in Regulations Section 1.704-2(b)(4).

1.89 "Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

1.90 "Member Nonrecourse Deductions" means items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures that are attributable to Member Nonrecourse Debt or to other liabilities of the Company owed to or guaranteed by a Member (or a related person within the meaning of Regulations Section 1.752-4(b)) to the extent that no other Member bears the economic risk of loss.

1.91 "Membership Interest" means a Member's entire limited liability company interest in the Company including the Member's right to share in income, gains, losses, deductions, credits, or similar items of, and to receive distributions from, the Company pursuant to this Agreement and the Act.

1.92 "Minimum Falcon Contributed Interest" has the meaning set forth in Section 2.1(b) of the Falcon Purchase Agreement.

1.93 "Net Cash From Operations" means the gross cash proceeds from Company operations (including sales and dispositions of Property in the ordinary course of business) less the portion thereof used to pay or establish reasonable reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Manager. "Net Cash From Operations" shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the first sentence of this Section 1.93 and Section 1.94 hereof.

1.94 "Net Cash From Sales or Refinancings" means the net cash proceeds from all sales and other dispositions (other than in the ordinary course of business) and all refinancings of Property, less any portion thereof used to establish reasonable reserves, all as determined by the Manager. "Net Cash From Sales or Refinancings" shall include all principal and interest payments with respect to any note or other obligation received by the Company in connection with sales and other dispositions (other than in the ordinary course of business) of Property.

1.95 "Net Profits" and "Net Losses" mean, for each Allocation Period, an amount equal to the Company's taxable income or loss for such Allocation Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

1.95.1 Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this definition shall be added to such taxable income or loss;

1.95.2 Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this definition shall be subtracted from such taxable income or loss;

1.95.3 In the event the Gross Asset Value of any Company asset is adjusted as a result of the application of Regulations Section 1.704-1(b)(2)(iv)(e) or Regulations Section 1.704-1(b)(2)(iv)(f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits or Net Losses;

1.95.4 Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the Basis of such Property differs from its Gross Asset Value;

1.95.5 In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation in accordance with Section 1.61 hereof;

1.95.6 To the extent an adjustment to the Basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Basis of the asset) or loss (if the adjustment decreases the Basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profits or Net Losses; and

1.95.7 Notwithstanding any other provision of this definition, any items that are specially allocated pursuant to Section 6.3 or 6.5 hereof shall not be taken into account in computing Net Profits or Net Losses (the amounts of the items of Company income, gain, loss, or deduction available to be specially allocated pursuant to any provision of this Agreement shall be determined by applying rules analogous to those set forth in Sections 1.95.1 through 1.95.6 above).

The foregoing definition of Net Profits and Net Losses is intended to comply with the provisions of Regulations Section 1.704-1(b) and shall be interpreted consistently therewith. In the event the Manager determines that it is prudent to modify the manner in which Net Profits and Net Losses are computed in order to comply with such Regulations, the Manager may make such modification.

1.96 "Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1).

1.97 "Nonrecourse Liability" has the meaning set forth in Regulations Section 1.704-2(b)(3).

1.98 "Non-Recognition Transaction" means an exchange to which Code Section 351 applies or a transaction which qualifies as a "reorganization" under Code Section 368(a), as described in Sections 2.1(a) and 2.1(b) of the CII Exchange Agreement.

1.99 "Notice" has the meaning set forth in Section 7.3.1 of this Agreement.

1.100 "Offered Interest" has the meaning set forth in Section 7.3.1 of this Agreement.

1.101 "Percentage Interest" means, with respect to each Common Member as of any date, the percentage equal to the number of Common Units then held by such Common Member divided by the total number of Common Units then held by all Common Members.

1.102 "Person" means any individual, general partnership, limited partnership, limited liability company, limited liability partnership, corporation, trust, estate, real estate investment trust, association, or other entity.

1.103 "Properly Allocated" has the meaning set forth in Section 7.3.4 of this Agreement.

1.104 "Property" means all real and personal property acquired by the Company and any improvements thereto, and shall include both tangible and intangible property.

1.105 "Proposed Transferee" has the meaning set forth in Section 7.3.1 of this Agreement.

1.106 "PublicCo" has the meaning set forth in the recitals to this Agreement.

1.107 "Regulations" means the regulations currently in force from time to time as final or temporary that have been issued by the U.S. Department of the Treasury pursuant to its authority under the Code. If a word or phrase is defined in this Agreement by cross-referencing the Regulations, then to the extent the context of this Agreement and the Regulations require, the term "Member" shall be substituted in the Regulations for the term "partner", the term "Company" shall be substituted in the Regulations for the term "partnership", and other similar conforming changes shall be deemed to have been made for purposes of applying the Regulations.

1.108 "Regulatory Allocations" has the meaning set forth in Section 6.5.1.

1.109 "Remedial Method" means the "remedial allocation method" described in Regulations Section 1.704-3(d).

1.110 "Rifkin Contributed Interest" has the meaning ascribed to the term "Contributed Interest" in the recitals to the Rifkin Contribution Agreement.

1.111 "Rifkin Contribution Agreement" has the meaning set forth in the recitals to this Agreement.

1.112 "Rifkin Holder" means each Rifkin Seller who elected to receive Class A Preferred Units pursuant to the Rifkin Contribution Agreement.

1.113 "Rifkin Purchase Agreement" has the meaning set forth in the recitals to this Agreement.

1.114 "Rifkin Put Agreement" means the Redemption and Put Agreement dated as of September 14, 1999 by and among the Company, Paul G. Allen, and each Rifkin Holder.

1.115 "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the U.S. Securities and Exchange Commission or any successor agency thereto promulgated thereunder, as in effect from time to time.

1.116 "Special Allocation Amount" means an amount equal to (i) the aggregate amount of the items previously allocated to the Class A Common Members pursuant to Sections 6.3.7(a)(y) and 6.3.7(c)(y), plus (ii) the aggregate amount of Net Losses previously allocated to the Class A Common Members pursuant to Section 6.2.1(b), minus (iii) the aggregate amount of Net Profits previously allocated to the Class A Common Members pursuant to Sections 6.1.1(b) and 6.1.3(b).

1.117 "Special Allocation Amount Ratio" means, for any Allocation Period, an amount equal to (i) the Special Allocation Amount as of the beginning of such Allocation Period, divided by (ii) Combined Book Profits for such Allocation Period times the Class B Common Members' aggregate Percentage Interests; provided, however, that if the Special Allocation Amount Ratio is greater than one (1), then it shall be deemed to be one (1) for purposes of this Agreement.

1.118 "Special Loss Allocations" has the meaning set forth in Section 6.4.1.

1.119 "Special Profit Allocations" has the meaning set forth in Section 6.4.1.

1.120 "Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, joint venture or other business entity of which (i) if a corporation, (x) ten percent (10%) or more of the total voting power of shares of stock entitled to vote in the election of directors thereof or (y) ten percent (10%) or more of the value of the equity interests is at the time owned or controlled, directly or indirectly, by the Person or one or more of its Subsidiaries, or (ii) if a limited liability company, partnership, association or other business entity, ten percent (10%) or more of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by the Person or one or more of its subsidiaries. The Person shall be deemed to have a ten percent (10%) or greater ownership interest in a limited liability company, partnership, association or other business entity if the Person is allocated ten percent (10%) or more of the limited liability company, partnership, association or other business entity gains or losses or shall be or control the Person managing such limited liability company, partnership, association or other business entity.

1.121 "Target Capital Account" has the meaning set forth in Section 6.5.1.

1.122 "Tentative Taxable Income" and "Tentative Tax Loss" have the meanings set forth in Section 6.3.7(e) of this Agreement.

1.123 "Traditional Method" means the "traditional method" of making Code Section 704(c) allocations described in Regulations Section 1.704-3(b).

1.124 "Transaction Documents" has the meaning set forth in Section 10.1 of this Agreement.

1.125 "Transfer" means any direct or indirect sale, transfer, assignment, hypothecation, encumbrance or other disposition, whether voluntary or involuntary, whether by gift, bequest or otherwise. In the case of a hypothecation, the Transfer shall be deemed to occur both at the time of the initial pledge and at any pledgee's sale or a sale by any secured creditor.

1.126 "Transferring Member" means, with regard to any transaction, any Member who attempts to Transfer any of its Membership Interest or with regard to whose Membership Interest an option is exercised pursuant to this Agreement.

1.127 "Units" means the units of Membership Interest issued by the Company to its Members, which entitle the Members to certain rights as set forth in this Agreement.

1.128 "VCOC" means "Venture Capital Operating Company" as defined in Section 2501.3-101(d) of the regulations promulgated by the United States Department of Labor under the Employee Retirement Income Security Act of 1974, as amended.

1.129 "VCOC Exception" means the exception for which an entity qualifies under Section 2510.3-101(a)(2)(i) of the regulations promulgated by the United States Department of Labor under the Employee Retirement Income Security Act of 1974, as amended, by reason of being a VCOC so that the underlying assets of that entity do not constitute "plan assets" within the meaning of Section 2510.3-101(a) of such regulations.

1.130 "Vulcan Cable" has the meaning set forth in the recitals to this Agreement.

## ARTICLE II

## ORGANIZATIONAL MATTERS

2.1 Formation. Pursuant to the Act, the Company has been formed as a Delaware limited liability company under the laws of the State of Delaware. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2 Name. The name of the Company shall be "Charter Communications Holding Company, LLC." The business and affairs of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Manager may deem appropriate or advisable. The Manager shall file any fictitious name certificates and similar filings, and any amendments thereto, that may be appropriate or advisable.

2.3 Term. The term of the Company shall commence on the date of the filing of the Certificate with the Delaware Secretary of State and shall continue until the Company is dissolved in accordance with the provisions of this Agreement.

2.4 Principal Office; Registered Agent. The principal office of the Company shall be as determined by the Manager. The Company shall continuously maintain a registered agent and office in the State of Delaware as required by the Act. The registered agent and office shall be as stated in the Certificate or as otherwise determined by the Manager.

2.5 Purpose of Company. The Company may carry on any lawful business, purpose, or activity that may be carried on by a limited liability company under applicable law; (i) provided, however, that, until all outstanding shares of Class B Common Stock have been converted into shares of Class A Common Stock in accordance with Clause (b)(viii) of Article Fourth of PublicCo's certificate of incorporation as of the Effective Time, without the Approval of the Class A Common Members, the Company shall not engage directly or indirectly, including without limitation through any Subsidiary, in any business other than the Cable Transmission Business (as defined below) and as a member of, and subscriber to, the portal joint venture with Broadband Partners; (ii) provided further, that to the extent that, as of the Class B Common Measuring Date, the Company was directly or indirectly engaged in, or had agreed to acquire directly or indirectly any business other than the Cable Transmission Business or as a member of, and subscriber to, the portal joint venture with Broadband Partners (any such other business, an "INCIDENTAL BUSINESS," and collectively, "INCIDENTAL BUSINESSES"), so long as (a) such Incidental Businesses so engaged in by the Company on the Class B Common Measuring Date in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total business engaged in by the Company or (b) such Incidental Businesses which on the Class B Common Measuring Date the Company had agreed to acquire in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total businesses to be acquired, as applicable, the Company may, directly or indirectly, including through any Subsidiary, continue to conduct any such Incidental Business and the foregoing limitation on the business and purpose of the Company shall not require that any such Incidental Business be divested by the Company, but the Company shall not, directly or indirectly, expand any such Incidental Business by means of any acquisition or any commitment of the Company or its Subsidiaries' resources or financial support. "CABLE TRANSMISSION BUSINESS" means the transmission of video, audio (including telephony) and data over cable television systems owned, operated or managed by the Company or its Subsidiaries; provided, that the businesses of RCN Corporation and its subsidiaries shall not be deemed to be a cable transmission business.

2.6 Future Transactions. It is contemplated that the Bresnan Holders, FHGLP, and certain partners in FHGLP, if applicable, will be admitted as Members, and the Agreement contemplates certain rights and obligations of such Persons upon their admission as Members. Notwithstanding the foregoing, nothing in this Agreement confers any rights or imposes any obligations on such Persons prior to the adoption of the amendment to this

Agreement admitting such Persons as Members and agreeing to the rights and obligations that shall apply with respect thereto.

## ARTICLE III

## CAPITAL CONTRIBUTIONS AND UNITS

3.1 Capital Contributions

3.1.1 CII or an Affiliate of CII.

(a) CII has previously contributed its entire one hundred percent (100%) limited liability company interest in Charter Communications Holdings, LLC, a Delaware limited liability company, to the Company.

(b) Vulcan Cable has previously contributed cash and assets valued in the aggregate (net of liabilities), at the time of the contribution, at One Billion Three Hundred Twenty-Five Million Dollars ($1,325,000,000).

(c) Vulcan Cable is contributing an additional Seven Hundred Fifty Million Dollars ($750,000,000) in cash to the Company in exchange for additional Class A Common Units.

(d) Upon a Rifkin Holder's exercise of its put right under the Rifkin Put Agreement pursuant to which the Company is required to redeem Class A Preferred Units from such Rifkin Holder, if requested by the Manager in a prompt written notice to CII, CII or, at CII's discretion, its Affiliate shall contribute to the Company, in exchange for additional Class A Common Units, an amount of cash equal to the amount that the Company is required to pay such Rifkin Holder for its Class A Preferred Units being redeemed and all Common Units will be diluted on a proportional basis. In return for CII or its Affiliate's Capital Contribution under this Section 3.1.1(d), the Company is authorized, without the need for additional act or consent of any Person, to issue additional Class A Common Units to CII or its Affiliate pursuant to Section 3.6.2(c).

3.1.2 Rifkin Holders. Pursuant to the Rifkin Contribution Agreement, Rifkin Holders have previously contributed the Rifkin Contributed Interest to the capital of the Company.

3.1.3 PublicCo.

(a) PublicCo is contributing the net proceeds of the IPO (less certain proceeds retained to acquire certain assets) and shall contribute the assets acquired with the retained proceeds to the Company in exchange for Class B Common Units. For purposes of this Section 3.1.3(a), "net proceeds of the IPO" does not include the proceeds from the underwriters' exercise of their over-allotment option in connection with the IPO to issue up to twenty-five million five hundred thousand (25,500,000) additional shares of PublicCo common stock after the Class B Common Measuring Date.

(b) Upon PublicCo's issuance of common stock other than in exchange for Units, PublicCo shall contribute the net cash proceeds and assets received in respect of such issuance to the Company in exchange for a number of Class B Common Units equal to the number of shares of common stock so issued by PublicCo.

(c) Upon PublicCo's issuance of capital stock, other than common stock, PublicCo shall contribute the net cash proceeds and assets received in respect of any such issuance in exchange for Units that mirror to the extent practicable the terms and conditions of such capital stock of PublicCo, as reasonably determined by the Manager.

3.1.4 Bresnan Holders. It is contemplated that pursuant to the Bresnan Purchase Agreement, Bresnan Holders will contribute the Bresnan Contributed Interest to the capital of the Company.

3.1.5 FHGLP. It is contemplated that pursuant to the Falcon Purchase Agreement, FHGLP will contribute the Falcon Contributed Interest to the capital of the Company.

3.2 Additional Capital Contributions. No Member shall be required to make any Capital Contributions other than the Capital Contributions required by Section 3.1. Subject to the approval of the Manager, the Members may be permitted from time to time to make additional Capital Contributions if it is determined that such additional Capital Contributions are necessary or appropriate for the conduct of the Company's business and affairs, including without limitation expansion or diversification. The Manager shall approve all aspects of any such additional Capital Contribution, such as the amount and nature of the consideration to be contributed to the Company, the resulting increase in interest to be received by the contributing Member, the resulting dilution of interest to be incurred by the other Members, and the extent to which Members will participate in the allocations and distributions of the Company as a result thereof.

3.3 Capital Accounts. The Company shall establish an individual Capital Account for each Member. The Company shall determine and maintain each Capital Account in accordance with Regulations Section 1.704-1(b)(2)(iv) and, in pursuance thereof, the following provisions shall apply:

3.3.1 To each Member's Capital Account there shall be credited such Member's Capital Contributions, such Member's allocated share of Net Profits and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3, 6.4, or 6.5 hereof, and the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member;

3.3.2 To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any property distributed to such Member pursuant to any provision of this Agreement, such Member's allocated share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3, 6.4, or 6.5 hereof, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company;

3.3.3 In the event all or a portion of a Membership Interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Membership Interest; and

3.3.4 In determining the amount of any liability for purposes of Sections 3.3.1 and 3.3.2 hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Regulations, the Manager may make such modification.

As of the Class B Common Measuring Date, the initial Capital Account balance of each Class A Common Member and each Class B Common Member shall be equal to the amount set forth for such Member on Schedule 3.3.

3.4 No Interest. No Member shall be entitled to receive any interest on such Member's Capital Contributions.

3.5 Limited Withdrawal Rights of Members; Redemption Rights of the Company.

3.5.1 No Withdrawal in General. No Member shall have the right to withdraw such Member's Capital Contributions or to demand and receive property of the Company or any distribution in return for such Member's Capital Contributions, except as may be specifically provided in this Agreement or required by law.

3.5.2 Redemption of Class A Preferred Units.

(a) Upon a Rifkin Holder's exercise of its put right under the Rifkin Put Agreement pursuant to which the Company is required to redeem Class A Preferred Units, the Company shall redeem in cash from such Rifkin Holder the number of Class A Preferred Units specified in the notice of exercise. The redemption price for such Class A Preferred Units shall be the sum of (i) the Class A Preferred Contributed Amount in respect of such Class A Preferred Units and (ii) the Class A Preferred Return Amount in respect of such redeemed Class A Preferred Units. The redemption of Class A Preferred Units shall be effectuated as of the last day of the calendar quarter following the date of a Rifkin Holder's exercise of its put right. The Class A Preferred Units redeemed pursuant to this Section 3.5.2(a) shall be deemed cancelled.

(b) All Class A Preferred Units outstanding on the fifteenth (15th) anniversary of the Class A Preferred Measuring Date shall be redeemed by the Company on such date at a redemption price equal to the sum of (i) the Class A Preferred Contributed Amount in respect of such Class A Preferred Units and (ii) the Class A Preferred Return

Amount in respect of such redeemed Class A Preferred Units. The Class A Preferred Units redeemed pursuant to this Section 3.5.2(b) shall be deemed cancelled.

3.5.3 Right to Redeem Class A Preferred Units. At any time after the earlier to occur of (i) the third anniversary of the Class A Preferred Measuring Date or (ii) thirty (30) days after the Class B Common Measuring Date, the Company shall have the right to redeem the Class A Preferred Units at a redemption price equal to the sum of (i) the Class A Preferred Contributed Amount in respect of such redeemed Class A Preferred Units and (ii) the Class A Preferred Return Amount in respect of such redeemed Class A Preferred Units. The Class A Preferred Units redeemed pursuant to this Section 3.5.3 shall be deemed cancelled.

3.5.4 Redemption of Class B Common Units. Upon PublicCo's request, the Company is required and is hereby authorized to redeem Class B Common Units held by PublicCo to the extent reasonably practicable as determined by the Manager. The redemption price for such Class B Common Units shall be determined in good faith by the Manager and PublicCo. The Class B Common Units redeemed pursuant to this Section 3.5.4 shall be deemed cancelled.

3.5.5 Redemption of Certain Class D Common Units. Under certain circumstances described in Section 7.2.4(a), the Company is required and is hereby authorized to redeem certain Class D Common Units. The Class D Common Units redeemed pursuant to this Section 3.5.5 shall be deemed cancelled.

3.6 Units.

3.6.1 Classes and Number of Units. Units shall consist of the following: (i) Class A Preferred Units, (ii) Class A Common Units, (iii) Class B Common Units, (iv) Class C Common Units, (v) Class D Common Units, and (v) any other classes of common or preferred Units upon the Approval of the Members. Subject to the terms of this Agreement, the Company may issue as many as one hundred billion (100,000,000,000) units of each class of Units. Notwithstanding any provision of this Agreement to the contrary, upon PublicCo's request, the Company is required and is hereby authorized to subdivide (by any split, distribution, reclassification, recapitalization or otherwise) or combine (by reverse split, reclassification, recapitalization or otherwise) the outstanding Units so that the number of outstanding shares of PublicCo's common stock will equal on a one-for-one basis the number of Common Units owned by PublicCo. The Manager is authorized to take any action necessary, desirable, or convenient to effectuate the foregoing.

3.6.2 Class A Common Units.

(a) As of the Effective Time, the number of Class A Common Units issued to CII is 217,585,243, and the number of Class A Common Units issued to Vulcan Cable is 63,917,028. In connection with Vulcan Cable's Capital Contributions pursuant to Section 3.1.1(c), the Company will issue to Vulcan Cable a number of additional Class A Common Units equal to Seven Hundred Fifty Million Dollars ($750,000,000), divided by the net IPO price per share of Class A Common Stock.

(b) After the Effective Time, if CII or any Affiliate of CII (other than PublicCo) contributes any assets to the Company, the Members' Membership Interests will be adjusted, and additional Class A Common Units will be issued to CII or such Affiliate and Common Units will be diluted on a proportional basis with Class B Common Units.

(c) Notwithstanding any other provision of this Section 3.6, upon contribution of cash by CII or its Affiliate (other than PublicCo) to the Company pursuant to Section 3.1.1(d), the number of Class A Common Units to be issued to CII or such Affiliate will be (i) the amount of cash contributed by CII or such Affiliate, divided by (ii) the IPO price per share of Class A Common Stock.

(d) Upon the acquisition of Class A Preferred Units pursuant to the Rifkin Put Agreement by CII or its Affiliate (other than PublicCo), such Class A Preferred Units will be converted into Class A Common Units. CII or such Affiliate will be deemed to have made a Capital Contribution of cash to the Company in the amount paid to a Class A Preferred Member pursuant to the Rifkin Put Agreement, and the Company will be deemed to have issued Class A Common Units to CII or its Affiliate. The number of Class A Common Units acquired by CII or such Affiliate pursuant to this Section 3.6.2(d) will be (i) the net purchase price paid by CII or such Affiliate for the Class A Preferred Units, divided by (ii) the IPO price per share of Class A Common Stock.

(e) The Company may and is authorized to issue Class A Common Units to certain Persons pursuant to the terms of the Company's employee option/compensatory plans and agreements.

3.6.3 Class A Preferred Units. As of the Effective Time, the aggregate number of Class A Preferred Units issued to Rifkin Holders is 133,312,118.

3.6.4 Class B Common Units.

(a) On the Class B Common Measuring Date, in connection with PublicCo's Capital Contributions pursuant to Section 3.1.3(a), the Company will issue to PublicCo a number of Class B Common Units equal to the number of shares of common stock issued by PublicCo on such date in connection with the IPO.

(b) Upon PublicCo's acquisition of the Class A Preferred Units pursuant to the Rifkin Contribution Agreement at the time of the IPO, such Class A Preferred Units will be converted into Class B Common Units. PublicCo will be deemed to have made a Capital Contribution of cash to the Company in the amount equal to the redemption price of such Class A Preferred Units as determined under Section 3.5.2(a), and the Company will be deemed to have issued Class B Common Units to PublicCo. The number of Class B Common Units acquired by PublicCo pursuant to this Section 3.6.4(b) will be equal to the number of shares of Class A Common Stock issued by PublicCo to the Rifkin Holders pursuant to the Rifkin Contribution Agreement.

(c) Upon PublicCo's issuance of common stock in exchange for Class D Common Units, such Class D Common Units shall be deemed to have converted automatically into a like number of Class B Common Units.

(d) Upon PublicCo's contribution of cash and/or assets to the Company pursuant to Section 3.1.3(b), the Company will issue to PublicCo that number of additional Class B Common Units equal to the number of shares of common stock issued by PublicCo.

(e) Upon PublicCo's contribution of cash and/or assets to the Company pursuant to Sections 3.1.3(c), the Company will issue to PublicCo Units that mirror to the extent practicable the terms and conditions of the capital stock issued by PublicCo, as reasonably determined by the Manager.

3.6.5 Class C Common Units. On the Class C Common Measuring Date, the number of Class C Common Units issued to Bresnan Holders will be the number of Class C Common Units determined in accordance with the formula contained in Exhibit I of the Bresnan Purchase Agreement. In accordance with such formula, after the Class C Common Measuring Date, the Company may issue additional Class C Common Units to Bresnan Holders and their transferees, or Bresnan Holders and their transferees may surrender to the Company a certain number of Class C Common Units issued on the Class C Common Measuring Date. The Manager shall make such adjustments as it deems necessary or appropriate so that Bresnan Holders and their transferees are treated as having received the appropriate number of Class C Common Units on the Class C Common Measuring Date.

3.6.6 Class D Common Units. On the Class D Common Measuring Date, the number of Class D Common Units issued to FHGLP will be the number of Class D Common Units determined in accordance with the formula contained in Schedule 3.6.6. In accordance with such formula, after the Class D Common Measuring Date, the Company may issue additional Class D Common Units to FHGLP and its transferees, or FHGLP and its transferees may surrender to the Company a certain number of Class D Common Units issued on the Class D Common Measuring Date. The Manager shall make such adjustments as it deems necessary or appropriate so that FHGLP and its transferees are treated as having received the appropriate number of Class D Common Units on the Class D Common Measuring Date.

3.6.7 Dilution of Common Units. Upon the issuance of Common Units to an entity unrelated to CII (or any Affiliate of CII), and upon the issuance of Common Units to employees of the Company in their capacity as employees, all Common Units will be diluted on a proportional basis with the existing Class A Common Units.

3.7 Equal Treatment. In any transaction involving issuance, redemption, or Transfer of Units (except as set forth in Section 3.1.1(c), 3.1.1(d), 3.6.2(c), 3.6.3(d), 7.1, 7.2, or 7.3) between (i) the Company and (ii) the Members with respect to their Common Units, the Class A Common Members and the other Common Members will be treated in a nondiscriminatory manner. For instance, any proposed redemption from the Class A Common Members of Class A Common Units shall be offered to the other Common Members with respect to their Common Units on the same proportionate terms and conditions.

3.8 Limited Liability Company Certificates. The Class D Common Units shall be evidenced by certificates of limited liability company interest executed by the Manager or any officers of the Company in such form as the Manager may approve; provided, however, that any Class D Common Units converted into Class B Common Units at the time of the IPO shall not be evidenced by such certificates. The Manager may, in its sole discretion, provide that other Common Units are to be evidenced by certificates of limited liability company interest executed by the Manager or any officers of the Company in such form as the Manager may approve.

## ARTICLE IV

## MEMBERS

4.1 Limited Liability. Except as required under the Act or as expressly set forth in this Agreement, no Member shall be personally liable for any debt, obligation, or liability of the Company, whether that debt, obligation, or liability arises in contract, tort or otherwise.

4.2 Admission of Members. Without the need for any additional act or consent of any Person, (i) CII, Vulcan Cable, and the Rifkin Holders will continue to be members of the Company, and (ii) PublicCo will be, and without further action on the part of any Person, shall be deemed admitted as a member of the Company on the Class B Common Measuring Date. As a condition to its admission as a member of the Company, PublicCo agrees that it will enter into the Falcon Exchange Agreement and the Bresnan Exchange Agreement, as contemplated by Section 6.6(f) of the Falcon Purchase Agreement and Section 5.16(a) of the Bresnan Purchase Agreement, respectively. Except as set forth in Article VII, no Person shall be admitted as an additional Member unless approved by the Manager and the Approval of the Members. No Person shall be admitted as an additional Member until such additional Member has made any required Capital Contribution and has become a party to this Agreement. Substitute Members may be admitted only in accordance with Article VII. The Members acknowledge that the admission of such new Members or the issuance of additional Membership Interests to pre-existing Members may dilute the Percentage Interests of the Members.

4.3 Meetings of Members.

4.3.1 No annual or regular meetings of the Members as such shall be required; if convened, however, meetings of the Members may be held at such date, time, and place as the Manager or as the Member or Members who properly noticed such meeting, as the case may be, may fix from time to time. At any meeting of the Members, the Chairman of the Board (or, if there is no Chairman or the Chairman so elects, a person appointed by the Manager) shall preside at the meeting and shall appoint another person to act as secretary of the meeting. The secretary of the meeting shall prepare written minutes of the meeting, which shall be maintained in the books and records of the Company.

4.3.2 A meeting of the Members for the purpose of addressing any matter on which the vote, consent, or approval of the Members is required or permitted under this Agreement may be called at any time by the Manager, or by any Member or Members holding more than twenty percent (20%) of all issued and outstanding Units entitled to vote on, consent to or approve such matter.

4.3.3 Notice of any meeting of the Members shall be sent or otherwise given by the Manager to the Members in accordance with this Agreement not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and the general nature of the business to be transacted. Except as the Members may otherwise agree, no business other than that described in the notice may be transacted at the meeting.

4.3.4 Attendance in person of a Member at a meeting shall constitute a waiver of notice of that meeting, except when the Member objects, at the beginning of the meeting, to the transaction of any business because the meeting is not duly called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting. Neither the business to be transacted nor the purpose of any meeting of Members need be specified in any written waiver of notice. The Members may participate in any meeting of the Members by means of conference telephone or similar means as long as all Members can hear one another. A Member so participating shall be deemed to be present in person at the meeting.

4.3.5 Any action that can be taken at a meeting of the Members may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed and delivered to the Company by Members representing not less than the minimum number of Units necessary under this Agreement or the Act to approve the action. The Manager shall notify Members holding Units entitled to vote on, consent to or approve such actions of all actions taken by such consents, and all such consents shall be maintained in the books and records of the Company.

4.4 Voting by Members. The Members, acting solely in their capacities as Members, shall have the right to vote on, consent to, or otherwise approve only those matters as to which this Agreement or the Act specifically requires such approval. A Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Except as otherwise specifically provided in this Agreement, the Approval of the Members shall be all that is required as to all matters, including merger, consolidation, and conversion, as to which the vote, consent, or approval of the Members is required or permitted under this Agreement or the Act.

4.5 Members Are Not Agents. No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company.

4.6 No Withdrawal. Except as provided in Articles III, VII and IX hereof, no Member may withdraw, retire, or resign from the Company without the prior Approval of the Members.

# ARTICLE V

## MANAGEMENT AND CONTROL OF THE COMPANY

5.1 Management of the Company by Manager.

5.1.1 The Members hereby unanimously elect as the manager of the Company (the "MANAGER"): PublicCo, or its successor-in-interest, for the period on and after the Effective Time. No additional Person may be elected as Manager in place of CII or PublicCo, in addition to, or in substitution of CII or PublicCo without the Approval of the Members. At such time as the Approval of the Members means the affirmative vote, approval or consent of Members holding more than fifty percent (50%) of the Common Units, CII, or its successor-in-interest, shall be the Manager in place of PublicCo without further action of the Members and each of the Members hereby consents to such election of CII. Except as otherwise required by applicable law and as provided in Section 5.2 with respect to the Board, the powers of the Company shall at all times be exercised by or under the authority of, and the business, property and affairs of the Company shall be managed by, or under the direction of, the Manager.

5.1.2 The Manager shall be authorized to elect, remove or replace directors and officers of the Company, who, subject to the direction of the Manager, shall have such authority with respect to the management of the business and affairs of the Company as set forth herein or as otherwise specified by the Manager in a resolution or resolutions of the Manager.

5.1.3 Except as otherwise required by applicable law, the Manager shall be authorized to execute or endorse any check, draft, evidence of indebtedness, instrument, obligation, note, mortgage, contract, agreement, certificate or other document on behalf of the Company. The Manager may delegate its authority under this Section 5.1.3 to the officers of the Company.

5.1.4 No annual or regular meetings of the Manager are required. The Manager may, by written consent and without prior notice, take any action which it is otherwise required or permitted to take at a meeting.

5.1.5 Except as provided in this Agreement, the Manager's duty of care in the discharge of its duties to the Company and the Members is limited to discharging its duties pursuant to this Agreement in good faith, with the care a corporate director of like position would exercise under similar circumstances, in the manner it reasonably believes to be in the best interests of the Company. In discharging its duties, the Manager shall not be liable to the Company or to any Member for any act or omission performed or omitted by such Person in good faith on behalf of, or in connection with the business and affairs of, the Company and in a manner reasonably believed to be within the scope of authority conferred on such Person by this Agreement, except that such Person shall be liable in respect of any loss, damage, or claim incurred by such Person by reason of such Person's fraud, deceit, reckless or intentional misconduct, gross negligence, or a knowing violation of law with respect to such acts or omissions.

5.1.6 Notwithstanding the other provisions of this Section 5.1, the Manager (i) shall provide the Bresnan Holders that are Affiliates of Blackstone Group L.P. consultative rights reasonably acceptable to the Manager so that such Bresnan Holders may maintain their VCOC status as long as they hold Class C Common Units and qualify under the VCOC Exception, and (ii) shall attempt, in good faith, to keep in place the notes and credit facilities and the terms and conditions relating to their security and collateral (other than the Bresnan Keepwell Agreement which may be amended as set forth in the Bresnan Purchase Agreement) of Bresnan Communications Company Limited Partnership, a Michigan limited partnership, and its Subsidiaries as long as the Bresnan Holders hold Class C Common Units (provided that this will not limit or otherwise affect the Agreement Regarding Consent Rights, dated as of June 29, 1999, by and among CII, TCI Bresnan LLC, and TCID of Michigan, Inc.).

5.1.7 Notwithstanding the other provisions of this Section 5.1, in connection with PublicCo's contribution to the Company of the net cash proceeds and assets received in respect of (i) the issuance of securities or incurrence of indebtedness for borrowed money or for acquisition of assets by PublicCo or (ii) the incurrence of any obligation by PublicCo under a capital lease, the Manager shall issue securities or indebtedness of the Company to PublicCo that mirrors to the extent practicable the terms and conditions of such securities, indebtedness or capital lease obligation of PublicCo, as reasonably determined by the Manager.

5.2 Board of Directors.

5.2.1 Notwithstanding Section 5.1, the Manager may delegate its power to manage the business of the Company to a Board of Directors (the "BOARD") which, subject to the resolutions adopted by the Manager from time to time, shall have the authority to exercise all such powers of the Company and do all such lawful acts and things as may be done by the Manager and as are not by statute or by this Agreement required to be exercised or done only by the Manager. The rights and duties of the members of the Board may not be assigned or delegated to any Person; provided that the officers specified in Section 5.4 shall act in accordance with the directions and authorizations of the Board; provided further that the Board may create committees, having such powers and performing such duties as may be assigned to it by the Board, to assist the Board and the officers in the governance of areas of importance to the Company.

5.2.2 Except as otherwise provided herein and to the extent that there has been a delegation of authority under Section 5.1.2, members of the Board shall possess and may exercise all the powers and privileges and shall have all of the obligations and duties to the Company and the Members granted to or imposed on directors of a corporation organized under the laws of the State of Delaware.

5.2.3 The number of directors shall initially be three (3), which number may be changed from time to time by the Manager. Each director shall be appointed by the Manager and shall serve in such capacity until the earlier of his or her resignation or removal (with or without cause) or replacement by the Manager.

5.2.4 In the event that any action of the Manager conflicts with any action of the Board or any other Person, the action of the Manager shall control.

5.3 Board of Director Meetings.

5.3.1 Regular Meetings. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board, but not less often than annually.

5.3.2 Special Meetings. Special meetings of the Board may be called by the Chief Executive Officer or any member of the Board on twenty-four (24) hours' notice to each director. Notice of a special meeting may be given by facsimile.

5.3.3 Telephonic Meetings. Members of the Board may participate in any regular or special meetings of the Board, by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 5.3.3 will constitute presence in person at such meeting.

5.3.4 Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by statute or this Agreement. If a quorum is not present at any meeting of the Board, the directors present thereat may adjourn the meeting from time to time until a quorum shall be present. Notice of such adjournment shall be given to any director not present at such meeting.

5.3.5 Action Without Meeting. Unless otherwise restricted by this Agreement, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting and without prior notice if all members of the Board consent thereto in writing and such written consent is filed with the minutes of proceedings of the Board.

5.3.6 Board's Duty of Care. Except as provided in this Agreement, the director's duty of care in the discharge of his duties to the Company and the Members is limited to discharging his duties pursuant to this Agreement in good faith, with the care a corporate director of like position would exercise under similar circumstances, in the manner he reasonably believes to be in the best interests of the Company. In discharging his duties, the director shall not be liable to the Company or to any Member for any act or omission performed or omitted by such director in good faith on behalf of, or in connection with the business and affairs of, the Company and in a manner reasonably believed to be within the scope of authority conferred on such director by this Agreement, except that such director shall be liable in respect of any loss, damage, or claim incurred by such director by reason of such Person's fraud, deceit, reckless or intentional misconduct, gross negligence, or a knowing violation of law with respect to such acts or omissions.

5.4 Officers.

5.4.1 Number, Titles, and Qualification. The Company shall have such officers as may be necessary or desirable for the business of the Company. The officers of the Company may include a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Chief Financial Officer, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers. The Chairman of the Board, Chief Executive Officer, President, Executive Vice Presidents, Senior Vice Presidents, and Chief Financial Officer shall be elected by the Manager or the Board. The Company shall have such other officers as may from time to time be appointed by the Manager, the Board, or the Chief Executive Officer. Each officer shall hold office until his or her successor is elected or appointed, as the case may be, and qualified or until his or her resignation or removal. Any number of offices may be held by the same person.

5.4.2 Removal. Any officer of the Company may be removed at any time, with or without cause, by the Manager, by the Chairman of the Board, by the Board, or, except as to the Chairman of the Board, President, Executive Vice Presidents, Senior Vice Presidents, and Chief Financial Officer, by the Chief Executive Officer.

5.4.3 Resignations. Any officer may resign at any time by giving written notice to the Company; provided, however, that notice to the Chairman of the Board, the Chief Executive Officer or the Secretary shall be deemed to constitute notice to the Company. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.4.4 Vacancies. Any vacancy among the officers, whether caused by death, resignation, removal or any other cause, shall be filled in the manner prescribed for election or appointment to such office.

5.4.5 Action with Respect to Securities of Other Entities. Unless otherwise directed by the Manager, the Board, the Chairman of the Board, the Chief Executive Officer or any other officer of the Company authorized by the Manager, the Chairman of the Board, or the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Company, in person or by proxy, at any meeting of stockholders or equity holders of or with respect to any action of stockholders or equity holders of any Person in which the Company may hold securities and otherwise to exercise any and all rights and powers which this Company may possess by reason of its ownership of securities in such Person.

5.4.6 Bonds of Officers. If required by the Manager, the Chairman of the Board, the Board, or the Chief Executive Officer, any officer of the Company shall give a bond for the faithful discharge of his or her duties in such amount and with such surety or sureties as the Manager, the Chairman of the Board, the Board, or the Chief Executive Officer may require.

5.4.7 Compensation. The salaries of the officers shall be fixed from time to time by the Board, unless and until the Board appoints a Compensation Committee.

5.4.8 Officers of Operating Companies, Regions or Divisions. The Chief Executive Officer shall have the power to appoint, remove and prescribe the terms of office, responsibilities and duties of the officers of the operating companies, regions or divisions of the Company, other than those who are officers of the Company appointed by the Manager or the Board.

5.4.9 Duties and Authority of Officers.

(a) Chairman of the Board. The Chairman of the Board shall have general and active responsibility for the management of the business of the Company and shall be responsible for implementing all orders and resolutions of the Manager or the Board. The Chairman of the Board shall be elected from among the directors, and the Chairman of the Board or, at the election of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the Members and directors. The Chief Executive Officer shall report to the Chairman of the Board.

(b) Chief Executive Officer. The Chief Executive Officer shall supervise the daily operations of the business of the Company, and shall report to the Chairman of the Board. Subject to the provisions of this Agreement and to the direction of the Manager, the Chairman of the Board, or the Board, he or she shall perform all duties which are commonly incident to the office of chief executive officer of a corporation organized under the laws of the State of Delaware or which are delegated to him or her by the Manager, the Chairman of the Board, or the Board. To the fullest extent permitted by law, he or she shall have power to sign all contracts and other instruments of the Company which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Company. The Chief Executive Officer shall perform the duties and exercise the powers of the Chairman of the Board in the event of the Chairman of the Board's absence or disability.

(c) President. The President shall have such powers and duties as may be delegated to him or her by the Manager, the Chairman of the Board, the Board, or the Chief Executive Officer. The President shall perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer's absence or disability.

(d) Vice President. Each Vice President shall have such powers and duties as may be delegated to him or her by the Manager, the Chairman of the Board, the Board, or the Chief Executive Officer.

(e) Chief Financial Officer. The Chief Financial Officer shall have responsibility for maintaining the financial records of the Company. He or she shall render from time to time an account of all such transactions and of the financial condition of the Company. The Chief Financial Officer shall also perform such other duties as the Manager, the Board, or the Chief Executive Officer may from time to time prescribe.

(f) Treasurer. The Treasurer shall have the responsibility for investments and disbursements of the funds of the Company as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties as the Manager, the Board, or the Chief Executive Officer may from time to time prescribe.

(g) The Secretary. The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the Members and the Board. He or she shall have charge of the corporate books and shall perform such other duties as the Manager, the Board, or the Chief Executive Officer may from time to time prescribe.

(h) Delegation of Authority. The Manager, the Chairman of the Board, the Board, or the Chief Executive Officer may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

5.5 Indemnification.

5.5.1 Indemnification. To the extent permitted by applicable law, a Member (and its respective officers, directors, agents, shareholders, members, partners, and Affiliates), Manager (and its respective officers, directors, agents, shareholders, members, partners, and Affiliates), director of the Company, or officer of the Company shall be entitled to indemnification from the Company for any loss, damage, or claim incurred by such Person by reason of any act or omission performed or omitted by such Person in good faith on behalf of, or in connection with the business and affairs of, the Company and in a manner reasonably believed to be within the scope of authority conferred on such Person by this Agreement and, if applicable, the Approval of the Members or authorizations of the Manager or the Board, except that no such Person shall be entitled to be indemnified in respect of any loss, damage, or claim incurred by such Person by reason of such Person's fraud, deceit, reckless or intentional misconduct, gross negligence, or a knowing violation of law with respect to such acts or omissions; provided, however, that any indemnity under this Section 5.5.1 shall be provided out of and to the extent of Company assets only, no debt shall be incurred by the Members in order to provide a source of funds for any indemnity, and no Member shall have any personal liability (or any liability to make any additional Capital Contributions) on account thereof.

5.5.2 Expenses. To the extent permitted by applicable law, expenses (including reasonable legal fees) incurred by a Member (and its respective officers, directors, agents, shareholders, members, partners or Affiliates), Manager (and its respective officers, directors, agents, shareholders, members, partners or Affiliates), director of the Company, or officer of the Company in such Person's capacity as such in defending any claim, demand, action, suit, or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit, or proceeding upon receipt by the Company of an undertaking by or on behalf of the Member (or its respective officers, directors, agents, shareholders, members, partners or Affiliates, as applicable), Manager (or its respective officers, directors, agents, shareholders, members, partners or Affiliates, as applicable), director or officer to repay such amount if it shall be determined that such Person is not entitled to be indemnified as authorized in Section 5.5.1 hereof.

5.6 Devotion of Time. Except as required by any individual contract and notwithstanding any provision to the contrary in this Agreement, no Manager, director of the Company, or officer of the Company is obligated to devote all of such Person's time or business efforts to the affairs of the Company, but shall devote such time, effort, and skill as such Person deems appropriate for the operation of the Company.

5.7 Competing Activities. Except as provided by any individual contract: (i) any Manager or Member (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those that might be the same as or similar to the Company's business or the business of any Subsidiary and that might be in direct or indirect competition with the Company or any Subsidiary; (ii) neither the Company or any Subsidiary nor any Member shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom; (iii) no Manager or Member (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) shall be obligated to present any investment opportunity or prospective economic advantage to the Company or any Subsidiary, even if the opportunity is of the character that, if presented to the Company or any Subsidiary, could be taken by the Company or any Subsidiary; and (iv) any Manager or Member (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) shall have the right to hold any investment opportunity or prospective economic advantage for such Manager's or Member's (and their respective officers', directors', agents', shareholders', members', partners' or Affiliates') own account or to recommend such opportunity to Persons other than the Company or any Subsidiary; (i) provided that as a condition to election as Manager and receiving a Membership Interest in the Company upon consummation of the IPO, PublicCo agrees that until all outstanding shares of Class B Common Stock have been converted into shares of Class A Common Stock in accordance with Clause (b)(viii) of Article Fourth of PublicCo's certificate of incorporation as of the Effective Time, it shall not engage directly or indirectly, including without limitation through any Subsidiary, in any business other than the Cable Transmission Business and as a member of, and subscriber to, the portal joint venture with Broadband Partners; (ii) provided further, that to the extent that, as of the Class B Common Measuring Date, PublicCo was directly or indirectly engaged in, or had agreed to acquire directly or indirectly, an Incidental Business, so long as (a) such Incidental Businesses so engaged in by PublicCo on the Class B Common Measuring Date in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total business engaged in by PublicCo, or (b) such Incidental Businesses which on the Class B Common Measuring Date PublicCo had agreed to acquire in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total businesses to be acquired, as applicable, PublicCo may, directly or indirectly, including through any Subsidiary, continue to conduct any such Incidental Business and the foregoing limitation on the business and purpose of PublicCo shall not require that any such Incidental Business be divested by PublicCo, but PublicCo shall not, directly or indirectly, expand any such Incidental Business by means of any acquisition or any commitment of the Company or its Subsidiaries' resources or financial support. PublicCo also agrees that it shall not (i) hold any assets, other than (a) working capital cash and cash equivalents held for the payment of current obligations and receivables from the Company; (b) Common Units; (c) back-to-back obligations and mirror equity interests of the Company, consisting of obligations and equity securities (other than Common Units, but including convertible securities), which are substantially equivalent to liabilities or obligations or securities of PublicCo to third parties; (d) assets subject to an existing obligation to contribute such assets (or successor assets) to the Company in exchange for Units; (e) assets acquired as a result of the issuance of (x) common stock of PublicCo and/or preferred stock of PublicCo and/or (y) liabilities or obligations of PublicCo, subject to an existing obligation to contribute such assets (or successor assets) to the Company in exchange for Common Units (in respect of the common stock of PublicCo issued) and/or for mirror equity securities (other than Common Units, but including convertible securities, in respect of the mirror equity securities issued) of the Company and/or liabilities or obligations of the Company (in respect of the liabilities or obligations incurred), which are substantially equivalent to the equity securities and/or liabilities and obligations of PublicCo issued to acquire such assets; or (f) goodwill or deferred tax assets, or (ii) incur any liabilities or obligations for borrowed money, for acquisition of assets or under any capital lease, other than (a) in connection with back-to-back obligations of the Company to PublicCo consisting of liabilities or obligations of the Company which are substantially equivalent to liabilities or obligations of PublicCo to a third party; (b) liabilities or obligations incident to the acquisition of Units in exchange for common stock of PublicCo; or (c) liabilities or obligations as contemplated by Clauses (i)(d) and (e) immediately above. PublicCo further agrees (x) that it shall not issue, transfer from treasury stock or repurchase shares of its common stock unless in connection with any such issuance, transfer, or repurchase PublicCo takes all requisite action such that, after giving effect to all such issuances, transfers or repurchases, the number of outstanding shares of common stock will equal on a one-for-one basis the number of Common Units owned by PublicCo; (y) that it shall not issue, transfer from treasury stock or repurchase shares of preferred stock of PublicCo unless in connection with any such issuance, transfer or repurchase PublicCo takes all requisite action such that, after giving effect to all such issuances, transfers or repurchases, PublicCo holds mirror equity interests of the Company which are in the aggregate substantially equivalent to the outstanding preferred stock of PublicCo; and (z) upon any reclassification of the Common Units, whether by combination, division or otherwise, it shall take all requisite action so that the number of outstanding shares of common stock will equal on a one-for-one basis the number of Common Units owned by PublicCo.

The Company agrees that, until all outstanding shares of Class B Common Stock have been converted into shares of Class A Common Stock in accordance with Clause (b)(viii) of Article Fourth of PublicCo's certificate of incorporation as of the Effective Time, without the Approval of the Class A Common Members, (i) the Company shall not engage directly or indirectly, including without limitation through any Subsidiary, in any business other than the Cable Transmission Business and as a member of and subscriber to, the portal joint venture with Broadband Partners; and (ii) to the extent that as of the Class B Common Measuring Date, the Company was directly or indirectly engaged in, or had agreed to acquire directly or indirectly, an Incidental Business, so long as (a) such Incidental Businesses so engaged in by the Company on the Class B Common Measuring Date in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total business engaged in by the Company or (b) such Incidental Businesses which on the Class B Common Measuring Date the Company had agreed to acquire in the aggregate on such date accounted for less than ten percent (10%) of the consolidated revenues of the total businesses to be acquired, as applicable, the Company may, directly or indirectly, including through any Subsidiary, continue to conduct any such Incidental Business and the foregoing limitation on the business and purpose of the Company shall not require that any such Incidental Business be divested by the Company, but the Company shall not, directly or indirectly, expand any such Incidental Business by means of any acquisition or any commitment of the Company or its Subsidiaries' resources or financial support.

The Company and each Member acknowledge that the other Members, the Manager (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) and the officers or directors of the Company (to the extent expressly permitted in their employment agreement) might own or manage other businesses, including businesses that may compete with the Company or any Subsidiary for the time of the Member or Manager. Without limiting the generality of the foregoing, the Company and each Member acknowledge that Vulcan Ventures Inc., an Affiliate of CII and Vulcan Cable, has entered into an agreement to purchase convertible preferred stock of RCN Corporation, which may be deemed to be engaged in the Cable Transmission Business. The Company and each Member acknowledge that none of them shall have any interest in the securities of RCN Corporation to be acquired by Vulcan Ventures Inc. or any RCN Corporation common stock into which such securities are convertible, and that Vulcan Ventures Inc. shall not have any obligation to them on account thereof. To the extent that, at law or at equity, any Member or Manager (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) or officers or directors of the Company have duties (including fiduciary duties) and liabilities relating to the Company and the other Members, such Person shall not be liable to the Company or the other Members for its good faith reliance on the provisions of this Agreement including this Section 5.7. The Company and each Member hereby waive any and all rights and claims that the Company or such Member may otherwise have against the other Members and the Manager (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) or officers or directors of the Company as a result of any such permitted activities. The provisions of this Agreement, and any agreement between the Company and any Member entered into in reliance on this Section 5.7, to the extent that they restrict the duties and liabilities of a Manager or Member (and their respective officers, directors, agents, shareholders, members, partners or Affiliates) or officers or directors of the Company otherwise existing at law or in equity, are agreed by the Company and the Members to replace such other duties and liabilities of such Person.

5.8 Remuneration for Management or Other Services. The Manager, directors, and officers of the Company shall be entitled to reasonable remuneration for providing management or other services to the Company, all as determined by the Manager.

5.9 Reimbursement of Expenses. The Company shall reimburse the Manager, directors of the Company, and officers of the Company for the actual and reasonable costs, fees, and expenses paid or incurred by any Person for goods, materials, services, and activities acquired or used by or for the benefit of the Company, or performed or undertaken for the benefit of the Company. Without limiting the generality of the foregoing, the Company shall reimburse PublicCo, for all costs, fees, and expenses paid or incurred by PublicCo in connection with the IPO, and its compliance with the Securities Act, the Securities Exchange Act of 1934, as amended, the Investment Company Act of 1940, as amended, and any other applicable federal and state securities laws.

## ARTICLE VI

## ALLOCATIONS OF NET PROFITS AND NET LOSSES AND DISTRIBUTIONS

6.1 Allocations of Net Profits. After giving effect to the special allocations set forth in Sections 6.3 and 6.5 herein, Net Profits for any Allocation Period shall be allocated to the Members as follows:

6.1.1 For any Allocation Period ending prior to the Class B Common Change Date, if the Company has Combined Book Losses for such Allocation Period, then:

(a) to each of the Common Members (including the Class A Common Members) other than the Class B Common Members, in an amount equal to (i) the amount of Net Profits, multiplied by (ii) such Common Member's Percentage Interest; and

(b) in addition to the amount allocated to the Class A Common Members pursuant to Section 6.1.1(a), to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of Net Profits, multiplied by (ii) the Class B Common Members' aggregate Percentage Interests.

6.1.2 For any Allocation Period ending after the Class B Common Change Date, if the Company has Combined Book Losses for such Allocation Period, then to each of the Common Members in accordance with such Common Member's Percentage Interest.

6.1.3 For any Allocation Period ending after the Class B Common Measuring Date, if the Company has Combined Book Profits for such Allocation Period and if there is any Special Allocation Amount as of the beginning of such Allocation Period, then:

(a) to each of the Common Members (including the Class A Common Members) other than the Class B Common Members, in an amount equal to (i) the amount of Net Profits, multiplied by (ii) such Common Member's Percentage Interest;

(b) in addition to the amount allocated to the Class A Common Members pursuant to Section 6.1.3(a), to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of Net Profits, multiplied by (ii) the product of the Class B Common Members' aggregate Percentage Interests and the Special Allocation Amount Ratio; provided, however, that the allocation of Net Profits pursuant to this Section 6.1.3(b) shall be subject to Section 6.4; and

(c) to the Class B Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of Net Profits multiplied by the Class B Common Members' aggregate Percentage Interests, minus (ii) the amount of Net Profits allocated to the Class A Common Members pursuant to Section 6.1.3(b) for such Allocation Period.

6.1.4 For any Allocation Period ending after the Class B Common Measuring Date, if the Company has Combined Book Profits for such Allocation Period and if there is no Special Allocation Amount as of the beginning of such Allocation Period, then to each of the Common Members in accordance with such Common Member's Percentage Interest.

6.2 Allocations of Net Losses. After giving effect to the special allocations set forth in Sections 6.3 and 6.5 herein, Net Losses for any Allocation Period shall be allocated to the Members as follows:

6.2.1 For any Allocation Period ending prior to the Class B Common Change Date:

(a) to each of the Common Members (including the Class A Common Members) other than the Class B Common Members, in an amount equal to (i) the amount of Net Losses, multiplied by (ii) such Common Member's Percentage Interest; and

(b) in addition to the amount allocated to the Class A Common Members pursuant to Section 6.2.1(a), to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of Net Losses, multiplied by (ii) the Class B Common Members' aggregate Percentage Interests.

6.2.2 For any Allocation Period ending after the Class B Common Change Date, to each of the Common Members in accordance with such Common Member's Percentage Interest.

6.2.3 Notwithstanding Sections 6.2.1 and 6.2.2, an allocation of Net Losses under Section 6.2.1 or 6.2.2 hereof shall not be made to the extent it would create or increase an Adjusted Capital Account Deficit for a Member or Members at the end of any Allocation Period. Any Net Losses not allocated because of the preceding sentence shall be allocated to the other Member or Members in proportion to such Member's or Members' respective Percentage Interests; provided, however, that to the extent such allocation would create or increase an Adjusted Capital Account Deficit for another Member or Members at the end of any Allocation Period, such allocation shall be made to the remaining Member or Members in proportion to the respective Percentage Interests of such Member or Members.

6.3 Special Allocations. The following special allocations shall be made in the following order:

6.3.1 Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding any other provision of this Article VI, if there is a net decrease in Company Minimum Gain during any Allocation Period, each Member shall be specially allocated items of Company income and gain for such Allocation Period (and, if necessary, subsequent Allocation Periods) in an amount equal to the portion of such Member's share of the net decrease in Company Minimum Gain which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(g)(2). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.3.1 is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

6.3.2 Member Minimum Gain Chargeback. Except as otherwise provided in Regulation Section 1.704-2(i)(4), notwithstanding any other provision of this Article VI, if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Allocation Period, each Member who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt (which share shall be determined in accordance with Regulations Section 1.704-2(i)(5)) shall be specially allocated items of Company income and gain for such Allocation Period (and, if necessary, subsequent Allocation Periods) in an amount equal to that portion of such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.3.2 is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

6.3.3 Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6) or any other event creates an Adjusted Capital Account Deficit, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 6.3.3 shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article VI have been tentatively made as if this Section 6.3.3 were not in the Agreement.

6.3.4 Nonrecourse Deductions Referable to Liabilities Owed to Non-Members. Any Nonrecourse Deductions for any Allocation Period and any other deductions or losses for any Allocation Period referable to a liability owed by the Company to a Person other than a Member to the extent that no Member bears the economic risk of loss shall be specially allocated to the Members in accordance with their Percentage Interests.

6.3.5 Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt or other liability to which such Member Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i) and Regulations Section 1.704-1(b).

6.3.6 Section 754 Adjustments. To the extent an adjustment to the Basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the Basis of the asset) or loss (if the adjustment decreases such Basis) and such gain or loss shall be specially allocated to the Members in accordance with Regulations Section 1.704-1(b)(2)(iv)(m).

6.3.7 Depreciation and Amortization. All of the remaining items of Company deduction for Depreciation for any Allocation Period shall be specially allocated to the Members as follows:

(a) For any Allocation Period ending prior to the Class B Common Change Date, if the Company has Combined Book Losses for such Allocation Period, then: (x) to each of the Common Members other than the Class A Common Members, the Class B Common Members, and the Class C Common Members in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) such Member's Percentage Interest; and (y) to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) the Class B Common Members' aggregate Percentage Interests.

(b) For any Allocation Period ending after the Class B Common Change Date, if the Company has Combined Book Losses for such Allocation Period, then to each of the Common Members other than the Class A Common Members and the Class C Common Members in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) such Member's Percentage Interest.

(c) For any Allocation Period ending after the Class B Common Measuring Date, if the Company has Combined Book Profits for such Allocation Period and if there is any Special Allocation Amount as of the beginning of such Allocation Period, then: (x) to each of the Common Members other than the Class A Common Members, the Class B Common Members, and the Class C Common Members in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) such Member's Percentage Interest; (y) to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) the product of the Class B Common Members' aggregate Percentage Interests and the Special Allocation Amount Ratio; provided, however, that the allocation of items pursuant to this Section 6.3.7(c)(y) shall be subject to Section 6.4; and (z) to the Class B Common Members, to be allocated among them in proportion to their Percentage Interests, in an amount equal to (i) the amount of the item to be allocated multiplied by the Class B Common Members' aggregate Percentage Interests, minus (ii) the amount of such item allocated to the Class A Common Members pursuant to Section 6.3.7(c)(y) for such Allocation Period.

(d) For any Allocation Period ending after the Class B Common Measuring Date, if the Company has Combined Book Profits for such Allocation Period and if there is no Special Allocation Amount as of the beginning of such Allocation Period, then to each of the Common Members other than the Class A Common Members and the Class C Common Members in an amount equal to (i) the amount of the item to be allocated, multiplied by (ii) such Member's Percentage Interest.

(e) For any Allocation Period ending prior to the Class C Common Change Date, if the Company has a tax loss for such Allocation Period, then to each of the Class C Common Members in an amount determined as follows: The allocation provisions in this Article VI shall first be applied tentatively without taking into account any items of Depreciation, other than items of Depreciation allocated under Sections 6.3.4 and 6.3.5. Such tentative application of the allocation provisions shall result in a calculation of the amount of the taxable income or loss ("Tentative Taxable Income" or "Tentative Tax Loss," respectively) that would be allocated to each Class C Common Member by the

Company if such tentative application were final. Next, items of Depreciation under this Section 6.3.7(e) shall be allocated to each Class C Common Member with Tentative Taxable Income to the extent necessary to cause the amount of the taxable income, excluding any taxable income arising from a sale or other disposition (other than in the ordinary course of business) of the Company's Property, allocated to such Member by the Company to be equal, or as nearly equal as possible, to zero; provided, however, that such items of Depreciation shall be so allocated only to the extent that such allocation would not create or increase taxable income for any Class A Common Member for such Allocation Period if such taxable income were determined in accordance with the provisions of this Agreement, with the following adjustment: the Special Loss Allocations, the Special Profit Allocations, Sections 6.1.3(c) and 6.3.7(c)(z), and the exclusion of the Class B Common Members from Sections 6.1.1(a), 6.1.3(a), 6.2.1(a), 6.3.7(a)(x), and 6.3.7(c)(x) shall be treated as if they were not part of this Agreement. In allocating items of Depreciation to each Class C Common Member with Tentative Taxable Income pursuant to the preceding sentence, the Company shall, to the extent possible, allocate to such Member a uniform percentage of each item of Depreciation allocated under Section 6.3.7. If the allocation of items of Depreciation under this Section 6.3.7(e) is insufficient to reduce to zero such taxable income for each Class C Common Member, then such items shall be allocated to the Class C Common Members in proportion to their respective Tentative Taxable Incomes. No items of Deprecation under this Section 6.3.7(e) shall be allocated to any Class C Common Member with a Tentative Tax Loss. For purposes of this Section 6.3.7, the Company's taxable income or loss, as determined in accordance with Code Section 703(a), shall include all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1).

(f) For any Allocation Period ending after the Class C Common Change Date, to each of the Class C Common Members in an amount determined as follows: The allocation provisions in this Article VI, excluding the provisions of Section 6.5 calling for offsetting special allocations to be made as a result of the operation of this Section 6.3.7(f), shall first be applied tentatively and with two hypothetical modifications. First, all items of Depreciation, other than items of Depreciation allocated under Section 6.3.5, shall be hypothetically allocated to the Members in accordance with their Percentage Interests. Second, tax allocations with respect to each Class C Common Contributed Property (to the extent that at the time of its contribution to the Company its Gross Asset Value differs from its Basis) shall be hypothetically made using the Remedial Method so as to eliminate distortions caused by the ceiling rule described in Regulations Section 1.704-3(b)(1), without changing the amount of the items of Depreciation (as determined under the rules of Regulations Section 1.704-1(b)(2)(iv)(g)(3)) that are hypothetically allocated pursuant to the preceding sentence and that are attributable to such Class C Common Contributed Property (to the extent that at the time of its contribution to the Company its Gross Asset Value differs from its Basis). Such tentative application of the allocation provisions shall result in a calculation of the amount of the Tentative Taxable Income or Tentative Tax Loss that would be allocated to each Class C Common Member by the Company if such tentative application, with the two hypothetical modifications described above, were final. Next, in lieu of the two hypothetical modifications described above, items of Depreciation under this Section 6.3.7(f) shall be allocated to each Class C Common Member so as to cause the amount of the taxable income or loss allocated to such Member by the Company (using the Traditional Method with respect to each Class C Common

Contributed Property to the extent that at the time of its contribution to the Company its Gross Asset Value differs from its Basis) to be equal, or as nearly equal as possible, to that Member's Tentative Taxable Income or Tentative Tax Loss, whichever is applicable.

(g) To the extent not allocated under (a), (b), (c), (d), (e) or (f) above, to the Class A Common Members, to be allocated among them in proportion to their Percentage Interests.

If the aggregate amount of the items of Depreciation available to be allocated under this Section 6.3.7 for any Allocation Period is less than the sum of the items of Depreciation provided for under Section 6.3.7(a), (b), (c), or (d), on the one hand, and the items of Depreciation provided for under Section 6.3.7(e) or (f), on the other, then the items of Depreciation available to be allocated under this Section 6.3.7 for such Allocation Period shall be divided between Section 6.3.7(a), (b), (c), or (d), on the one hand, and Section 6.3.7(e) or (f), on the other, in proportion to the respective amounts of the items of Depreciation provided for under such Sections.

6.3.8 Preferred Return Allocations. All or a portion of the remaining items of Company income and, to the extent income is insufficient, gain shall be specially allocated to each Class A Preferred Member in an amount equal to the cumulative Class A Preferred Return Amount (with respect to which there has been no allocation under this Section 6.3.8) for any Class A Preferred Units (i) redeemed from such Member during the Allocation Period pursuant to Section 3.5.2 or 3.5.3, (ii) Transferred by such Member to PublicCo or any other Person pursuant to the Rifkin Contribution Agreement, the Rifkin Put Agreement, or this Agreement, or (iii) with respect to which liquidating distributions are made pursuant to Article IX. If, in addition to items of income, items of gain are to be allocated pursuant to the foregoing sentence and the Company has items of both short-term capital gain and long-term capital gain, all of the Company's items of short-term capital gain shall be allocated before any items of long-term capital gain are allocated.

6.4 Certain Allocations to the Class A Common Members and the Class B Common Members. Notwithstanding any other provision of this Article VI (other than the Regulatory Allocations), the allocations to the Class A Common Members and the Class B Common Members shall be subject to the following provisions:

6.4.1 The allocations to the Class A Common Members of Net Profits pursuant to Section 6.1.3(b) and of items of Depreciation pursuant to Section 6.3.7(c)(y) (collectively, the "Special Profit Allocations") shall be limited in amount and made in a manner such that the total amount of the net taxable income allocated to the Class A Common Members in respect of the aggregate Special Profit Allocations is no greater than the total amount of the net tax loss allocated to the Class A Common Members in respect of the aggregate Net Profits, Net Losses, and items of Depreciation allocated to the Class A Common Members pursuant to Sections 6.1.1(b), 6.2.1(b), and 6.3.7(a)(y), respectively (collectively, the "Special Loss Allocations").

6.4.2 In the event of the dissolution of the Company or the occurrence of any other event with respect to which the distribution rights of the Class A Common Members or the Class B Common Members are determined in whole or in part by reference to their Capital Account balances, the Special Loss Allocations (to the extent that they have not previously been offset with Special Profit Allocations or special allocations of other items pursuant to this Section 6.4) shall be offset either with current Special Profit Allocations or, to the extent that such current Special Profit Allocations are insufficient, with special allocations between the Class A Common Members and the Class B Common Members, to the extent possible, of other items of Company income, gain, loss, or deduction. Capital Account adjustments shall be made to reflect such allocations before any distributions in connection with such events are made. The Manager shall make such offsetting special allocations of other items in whatever manner it determines appropriate so that, after such offsetting allocations are made: (i) the Capital Account balances of the Class A Common Members and the Class B Common Members are, to the extent possible, equal to the Capital Account balances such Members would have had if the Special Loss Allocations, the Special Profit Allocations, Sections 6.1.3(c) and 6.3.7(c)(z), and the exclusion of the Class B Common Members from Sections 6.1.1(a), 6.1.3(a), 6.2.1(a), 6.3.7(a)(x), and 6.3.7(c)(x) had not been part of this Agreement; and (ii) to the maximum extent consistent with attaining the Capital Account balances described in the preceding clause (i), the total amount of the net taxable income allocated to the Class A Common Members in respect of the aggregate Special Profit Allocations and special allocations of other items pursuant to this Section 6.4 is no greater than the total amount of the net tax loss allocated to the Class A Common Members in respect of the aggregate Special Loss Allocations.

6.4.3 In the event that Class A Common Units are transferred, directly or indirectly, to PublicCo as part of a Non-Recognition Transaction, if (i) the Special Loss Allocations have not been fully offset with prior or current Special Profit Allocations or special allocations of other items pursuant to this Section 6.4 and (ii) CII or Vulcan Cable so elects with respect to its Class A Common Units transferred as part of such Non-Recognition Transaction, then the Special Loss Allocations with respect to such Class A Common Units (to the extent that they have not been so offset) shall be offset with special allocations between the Class A Common Members and the Class B Common Members, to the extent possible, of other items of Company income, gain, loss, or deduction. The Manager shall make such offsetting special allocations of other items in whatever manner it determines appropriate so that, after such offsetting allocations are made: (i) the Capital Account balances of the Class A Common Members with respect to the Class A Common Units transferred as part of such Non-Recognition Transaction are, to the extent possible, equal to the Capital Account balances such Members would have had with respect to such Class A Common Units if the Special Loss Allocations, the Special Profit Allocations, Sections 6.1.3(c) and 6.3.7(c)(z), and the exclusion of the Class B Common Members from Sections 6.1.1(a), 6.1.3(a), 6.2.1(a), 6.3.7(a)(x), and 6.3.7(c)(x) had not been part of this Agreement; and (ii) to the maximum extent consistent with attaining the Capital Account balances described in the preceding clause (i), the total amount of the net taxable income allocated to the Class A Common Members with respect to such Class A Common Units in respect of the aggregate Special Profit Allocations and special allocations of items pursuant to this Section 6.4 is no greater than the total amount of the net tax loss allocated to the Class A Common Members with respect to such Class A Common Units in respect of the aggregate Special Loss Allocations.

6.4.4 For purposes of this Section 6.4, net taxable income allocated in respect of a Special Profit Allocation or a special allocation of another item pursuant to Section 6.4.2 or 6.4.3 refers to the net taxable income that is allocated in respect thereof for the same Allocation Period for which such Special Profit Allocation or other special allocation is made.

6.4.5 If any special allocations of other items are made pursuant to Section 6.4.2 or 6.4.3, the Manager shall thereafter make appropriate adjustments in the determination of the Special Allocation Amount and any subsequent Special Profit Allocations so as to reflect that such special allocations of other items have had the effect of offsetting certain Special Loss Allocations.

6.4.6 If any Class A Common Units are redeemed by the Company or any additional Class A Common Units are issued, the Manager shall thereafter make appropriate adjustments in the determination of the Special Allocation Amount, any subsequent Special Profit Allocations, and any special allocations of other items pursuant to Section 6.4.2 or 6.4.3 so that (i) the Special Allocation Amount excludes any amount with respect to redeemed Units, and (ii) the proportion in which the Special Profit Allocations are allocated among the Class A Common Members takes into account that, as a result of the issuance of additional Class A Common Units, the Percentage Interest of the Member to which such Units were issued may need to be reduced for purposes of determining such Member's proper share of the Special Profit Allocations.

6.5 Curative Allocations.

6.5.1 The allocations set forth in Sections 6.2.3, 6.3.1, 6.3.2, 6.3.3, 6.3.4, 6.3.5, and 6.3.6 (collectively, the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. The allocations set forth in Section 6.3.7 are intended to effectuate certain agreements of the Members (such allocations other than the allocations set forth in Sections 6.3.7(a)(y) and 6.3.7(c)(y) are collectively referred to for purposes of this Section 6.5.1 as the "Depreciation Allocations"). It is the intent of the Members that, to the extent possible, the Regulatory Allocations and the Depreciation Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction to the extent provided by this Section 6.5.1. Therefore, subject to Section 6.5.2 but notwithstanding any other provision of this Article VI (other than the Regulatory Allocations), the Manager shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, a Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had (the "Target Capital Account") if the Regulatory Allocations and the Depreciation Allocations were not part of this Agreement and all Company items were allocated pursuant to Sections 6.1, 6.2.1, 6.2.2, 6.3.7(a)(y), 6.3.7(c)(y), 6.3.8, and 6.4. In exercising its discretion under this Section 6.5.1, the Manager shall take into account any future Regulatory Allocations under Sections 6.3.1 and 6.3.2 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections 6.3.4 and 6.3.5.

6.5.2 The Manager shall implement the offsetting special allocations in Section 6.5.1 in such a manner that:

(a) For any Allocation Period covered by Section 6.3.7(e), no special allocations shall be made under Section 6.5.1 to either the Class A Common Members or the Class C Common Members to offset the allocations made as a result of the operation of Section 6.3.7(e), except in the event of the dissolution of the Company or the occurrence of any other event with respect to which the distribution rights of the Class A Common Members or the Class C Common Members are determined in whole or in part by reference to their Capital Account balances, in which case the special allocations to be made to the Class A Common Members, the Class C Common Members, or both, to offset the allocations arising as a result of the operation of Section 6.3.7(e) and the corresponding Capital Account adjustments shall be made before any distributions in connection with such events are made.

(b) For any Allocation Period covered by Section 6.3.7(f), the special allocations to be made under Section 6.5.1 to the Class A Common Members, the Class C Common Members, or both, to offset the allocations arising as a result of the operation of Section 6.3.7(f) shall be limited in amount and made in a manner such that the amount of the taxable income allocated to any Class C Common Member shall be no less than, and the amount of the tax loss allocated to any Class C Common Member shall be no greater than, that Member's Tentative Taxable Income or Tentative Tax Loss, respectively, for such Allocation Period; provided, however, that in the event of the dissolution of the Company or the occurrence of any other event with respect to which the distribution rights of the Class A Common Members or the Class C Common Members are determined in whole or in part by reference to their Capital Account balances, the foregoing limitations shall apply only to the extent consistent with attaining the Target Capital Accounts and such Capital Account adjustments shall be made before any distributions in connection with such events are made.

(c) In the case of the offsetting special allocations to be made to the Class A Common Members, the Class C Common Members, or both, arising as a result of the operation of Section 6.3.7(e), (i) the total amount of the increase in the taxable income allocated to the Class A Common Members as a result of such offsetting special allocations shall be no greater than the excess, if any, of the Allocated Tax Deductions over the Baseline Tax Deductions, and (ii) the total amount of the decrease in the taxable income allocated to the Class A Common Members as a result of such offsetting special allocations shall be no less than the excess, if any, of the Baseline Tax Deductions over the Allocated Tax Deductions; provided, however, that in the event of the dissolution of the Company or the occurrence of any other event with respect to which the distribution rights of the Class A Common Members or the Class C Common Members are determined in whole or in part by reference to their Capital Account balances, the foregoing limitations shall apply only to the extent consistent with attaining the Target Capital Accounts and such Capital Account adjustments shall be made before any distributions in connection with such events are made. For purposes of this Section 6.5.2(c), the "Allocated Tax Deductions" shall mean the total amount of the tax deductions allocated to the Class A Common Members in respect of the items of Depreciation allocated to the Class A Common Members pursuant to Section 6.3.7(g) for the Allocation Periods ending prior to the Class C Common Change Date, and the "Baseline Tax Deductions" shall mean the total amount of the tax deductions that would have been allocated to the Class A Common Members if items of Depreciation allocated under Section 6.3.7 had been allocated to the Class A Common Members in accordance with their Percentage Interests for the Allocation Periods ending prior to the Class C Common Change Date.

(d) For purposes of Sections 6.5.2(b) and 6.5.2(c), an increase or decrease in taxable income or tax loss allocated in respect of an offsetting special allocation refers to the increase or decrease in taxable income or tax loss that is allocated in respect thereof for the same Allocation Period for which such offsetting special allocation is made.

6.6 Other Allocation Rules.

6.6.1 Allocation of Items Included in Net Profits and Net Losses. Whenever a proportionate part of the Net Profits or Net Losses is allocated to a Member, every item of income, gain, loss, or deduction entering into the computation of such Net Profits or Net Losses shall be credited or charged, as the case may be, to such Member in the same proportion.

6.6.2 Allocations in Respect of a Transferred Membership Interest. If any Membership Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any Allocation Period of the Company, each item of income, gain, loss, deduction, or credit of the Company for such Allocation Period shall be allocated among the Members, as determined by the Manager in accordance with any method permitted by Code Section 706(d) and the Regulations promulgated thereunder in order to take into account the Members' varying interests in the Company during such Allocation Period.

6.7 Tax Allocations.

6.7.1 Code Section 704(c). The allocations specified in this Agreement shall govern the allocation of items to the Members for Code Section 704(b) book purposes, and the allocation of items to the Members for tax purposes shall be in accordance with such book allocations, except that solely for tax purposes and notwithstanding any other provision of this Article VI:

(a) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members so as to take account of any variation between the Basis of such property to the Company and its initial Gross Asset Value.

(b) In the event the Gross Asset Value of any Company asset is adjusted pursuant to Subsection 2 of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the Basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(c) The allocations described in (a) and (b) above shall be made in accordance with Regulations Section 1.704-3 using the Traditional Method except as otherwise specified in Schedule 6.7.1.

6.7.2 Tax Credits. Tax credits, if any, shall be allocated among the Members in proportion to their Percentage Interests.

6.7.3 Excess Nonrecourse Liabilities. Solely for purposes of determining a Member's share of the "excess nonrecourse liabilities" of the Company within the meaning of Regulations Section 1.752-3(a)(3), the Members' interests in Company profits are in proportion to their Percentage Interests.

6.8 Obligations of Members to Report Consistently. The Members are aware of the income tax consequences of the allocations made by this Article VI and hereby agree to be bound by the provisions of this Article VI in reporting their shares of Company income and loss for income tax purposes.

6.9 Distributions by the Company to Members. Prior to the occurrence of any event specified in Section 9.1, and subject to availability of funds, applicable law, and any limitations contained elsewhere in this Agreement:

6.9.1 Mandatory Tax Distributions. Not later than ninety (90) days after the end of each calendar year, the Company shall declare and pay aggregate distributions during the period commencing on January 1 of such year (but excluding distributions mandated under this Section 6.9.1 with respect to prior years) to the Common Members, in accordance with their respective Percentage Interests, until each such Member, in the reasonable judgment of the Manager, has received an amount sufficient to enable such Member to fund such Member's federal, state, and local income tax liability (calculated using the highest nominal, marginal federal, state, and local income tax rates then imposed on ordinary income of individual taxpayers residing in New York City, with appropriate adjustments for the federal tax benefits from state and local taxes) attributable to such Member's respective share of the estimated taxable income of the Company for such period.

6.9.2 Net Cash From Operations and Net Cash From Sales or Refinancings. Net Cash From Operations and Net Cash From Sales or Refinancings may be distributed at such times and in such amounts as may be approved by the Manager, to Common Members in proportion to their respective Percentage Interests.

6.10 Advances or Drawings. Distributions of money and property shall be treated as advances or drawings of money or property against a Member's distributive share of income and as current distributions made on the last day of the Company's taxable year with respect to such Member.

6.11 Distributees; Liability for Distributions. All distributions made pursuant to Section 6.9 shall be made only to the Persons who, according to the books and records of the Company, hold the Membership Interests in respect of which such distributions are made on the actual date of distribution. Neither the Company nor any Member, Manager, or officer shall incur any liability for making distributions in accordance with Section 6.9.

6.12 Form of Distributions. A Member, regardless of the nature of the Member's Capital Contributions, has no right to demand and receive any distribution from the Company in any form other than money. No Member may be compelled to accept from the Company a distribution of any asset in kind in lieu of a proportionate distribution of money being made to other Members.

6.13 Return of Distributions. Except for distributions made in violation of the Act or this Agreement, or as otherwise required by law, no Member shall be obligated to return any distribution to the Company or pay the amount of any distribution for the account of the Company or to any creditor of the Company.

6.14 Limitation on Distributions. Notwithstanding any provision to the contrary in this Agreement, the Company shall not make a distribution to any Member on account of such Member's interest in the Company if such distribution would (i) violate Section 18-607 of the Act or other applicable law or (ii) breach, or with the passage of time or the giving of notice result in a breach of, any contractual covenants of the Company or its Subsidiaries (provided that the Company shall negotiate such covenants in good faith to permit distributions under Section 6.9.1).

6.15 Withholding. Any tax required to be withheld with respect to any Member under Section 1446 or other provisions of the Code, or under the law of any state or other jurisdiction, shall be treated for all purposes of this Agreement (i) as a distribution of cash to be charged against current or future distributions to which such Member would otherwise have been entitled, or (ii) if determined by the Manager in writing, as a demand loan to such Member bearing interest at a rate per annum equal to the rate of interest then announced by The Bank of New York as its prime commercial lending rate plus two hundred (200) basis points.

## ARTICLE VII

## TRANSFER OF INTERESTS

7.1 Transfer of Interests In General.

7.1.1 Conditions to Transfer. No Member shall be entitled to Transfer all or any part of such Member's Membership Interest unless all of the following conditions have been met: (a) the Company shall have received a written notice of the proposed Transfer, setting forth the circumstances and details thereof; (b) the Company shall (at its option) have received written opinion from counsel reasonably satisfactory to the Company, which in the case of a permitted Transfer contemplated by Section 7.2 shall be the Company's counsel, in form and substance reasonably satisfactory to the Company, specifying the nature and circumstances of the proposed Transfer, and based on such facts stating that the proposed Transfer will not be in violation of any of the registration provisions of the Securities Act, or any applicable state securities laws; (c) the Company shall have received from the transferee a written consent to be bound by all of the terms and conditions of this Agreement and, if such Transfer is to PublicCo and the Transferring Member receives common stock of PublicCo in the exchange, a written consent from such Member not to Transfer the common stock of PublicCo for one-hundred eighty (180) days after the Class B Common Measuring Date; (d) the Transfer will not result in the loss of any license or regulatory approval or exemption that has been obtained by the Company and is materially useful in the conduct of its business as then being conducted or proposed to be conducted; (e) the Transfer will not result in a material limitation or restriction on the Company's operations; (f) the Company is reimbursed upon request for its reasonable out-of-pocket expenses, except in the case of a permitted Transfer contemplated by Section 7.2, in connection with the Transfer; (g) if the Transfer to the proposed transferee is not otherwise specifically authorized by Section 7.2, the Transfer has been approved by the Manager, which consent may be given or withheld, conditioned or delayed as the Manager may determine in its sole discretion; (h) if the proposed transferee is not a Member or the Transfer to the proposed transferee is not otherwise specifically authorized by Section 7.2, the Transfer receives the Approval of the Members; (i) the Transfer will not cause the Company to be treated as a "publicly traded partnership" within the meaning of section 7704 of the Code, (j) the Transfer will not cause the Company to be treated as an "investment company" within the meaning of section 3 of the Investment Company Act of 1940, as amended, and (k) the Transfer has satisfied the requirements of Section 7.3.

7.1.2 Pledges. Notwithstanding anything to the contrary in Section 7.1, a Member may pledge, grant a security interest in or otherwise encumber all or a portion of its Membership Interest, without compliance with Sections 7.1.1(g) and (h) but subject to the other provisions of Section 7.1, if prior thereto, the pledgee or secured party delivers to the Company a written agreement acknowledging receipt of a copy of this Agreement and unconditionally agreeing that any foreclosure of the pledge or security interest shall be treated as a Transfer of such Membership Interest to which all provisions of this Article VII apply.

7.1.3 Invalid Transfers. To the fullest extent permitted by law, Transfers in violation of this Section 7.1 or in violation of any other provision of this Article VII or this Agreement shall be null and void ab initio and of no effect whatsoever.

7.2 Permitted Transfers. Subject to the provisions of Section 7.1, the Units may be Transferred under the following circumstances:

7.2.1 Class A Common Units. Class A Common Units may be Transferred to any Person, including without limitation, PublicCo or any Affiliate of CII or Vulcan Cable.

7.2.2 Class B Common Units. Class B Common Units may be Transferred to any Affiliate of PublicCo, CII, or Vulcan Cable.

7.2.3 Class C Common Units. Class C Common Units may be Transferred to the Bresnan Permitted Transferees, and Class C Common Units with respect to which any option pursuant to the Bresnan Put Agreement or the Bresnan-TCI Put Agreement has been exercised and Paul G. Allen or the Company has breached its purchase obligations under such put agreements may be Transferred to any transferee; provided, however, that (i) each such transferee must agree to be bound by the terms of this Agreement and other applicable equity documents (including the Bresnan Exchange Agreement), (ii) each such transferee must represent that it is an accredited investor and give such other investment representations and other undertakings as are customarily given by Persons acquiring securities in a private placement, and (iii) the Transfer to such transferee must be effected pursuant to an exemption from registration under applicable securities laws.

7.2.4 Class D Common Units

(a) Transfers to the Partners of FHGLP. Class D Common Units held by FHGLP may be Transferred to the partners of FHGLP on or after the Class D Common Measuring Date; provided, however, that (i) each such transferee agrees to be bound by the terms of this Agreement, and (ii) each such transferee represents that it is an accredited investor and gives such other investment representations and other undertakings as are customarily given by Persons acquiring securities in a private placement. If any such partner of FHGLP fails to make such agreements and representations or if the Company reasonably determines that the Transfer to such transferee would require registration under the Securities Act, then the Company shall purchase, within ninety (90) days after the Class D Common Measuring Date, the Class D Common Units proposed to be Transferred to such transferee for cash in an amount equal to the product of (i) the number of such Class D Common Units purchased by the Company, and (ii) the amount of Falcon Equity Value divided by the total number of Class D Common Units issued to FHGLP pursuant to Section 3.6.6; provided, however, that if and to the extent such purchases cause the Falcon Contributed Interest to be less than the Minimum Falcon Contributed Interest, FHGLP shall not be required to contribute the Minimum Falcon Contributed Interest as required by the Falcon Purchase Agreement. The Class D Common Units purchased by the Company pursuant to this Section 7.2.4(a) shall be deemed cancelled.

(b) Transfers Pursuant to Falcon Registration Rights Agreement. Class D Common Units may be Transferred to any Person to which a Class D Common Member is permitted to assign its rights under the Falcon Registration Rights Agreement in accordance with Section 8.6(a) thereof; provided, however, that (i) each such transferee agrees to be bound by the terms of the Agreement, (ii) each such transferee (x) represents that it is an accredited investor and gives such other investment representations and other undertakings as are customarily given by Persons acquiring securities in a private placement or (y) provides the Company with a written opinion of counsel reasonably satisfactory to the Company that such Transfer would not result in a violation of the registration requirements of the Securities Act, and (iii) any such Transfer will not result in violation of the registration requirements of the Securities Act.

7.2.5 Class A Preferred Units. Class A Preferred Units may be Transferred to any Person to which a Class A Preferred Member is permitted to assign its rights under the Rifkin Put Agreement in accordance with Section 10.9 thereof; provided, however, that (i) each such transferee agrees to be bound by the terms of the Agreement, (ii) each such transferee (x) represents that it is an accredited investor and gives such other investment representations and other undertakings as are customarily given by Persons acquiring securities in a private placement or (y) provides the Company with a written opinion of counsel reasonably satisfactory to the Company that such Transfer would not result in a violation of the registration requirements of the Securities Act, and (iii) any such Transfer will not result in violation of the registration requirements of the Securities Act.

7.2.6 Transfer to Paul G. Allen, the Company, and Certain Other Transferees. All Units shall be freely transferable without restriction to Paul G. Allen (or his Affiliates), the Company, or any other Person (i) to which Units may be put pursuant to the Rifkin Put Agreement, the Falcon Put Agreement, the Bresnan Put Agreement, or the Bresnan-TCI Put Agreement or (ii) to which Units may be Transferred pursuant to the Falcon Tag-Along Agreement or the Bresnan Tag-Along Agreement.

7.2.7 Transfers to PublicCo. Notwithstanding anything to the contrary in Section 7.1, from and after the Class B Common Measuring Date, certain Members may Transfer their Units to PublicCo in exchange for the Class A Common Stock or Class B Common Stock of PublicCo, pursuant to the terms of the Falcon Exchange Agreement, the Bresnan Exchange Agreement, the CII Exchange Agreement, and certain employee option/compensatory plans and agreements of the Company.

7.2.8 Admission of a Transferee as a Member. Each transferee (other than the Company) of a Transfer of a Membership Interest permitted by Section 7.2 shall be admitted to the Company as a Member of the Company upon completion of the Transfer in accordance with the conditions set forth in Sections 7.1 and 7.2.

7.3 Right of First Refusal.

7.3.1 Notice of Sale. Except with respect to Transfers permitted in Section 7.2, no Member other than a Class A Common Member shall Transfer all or a portion of such Member's Membership Interest unless (i) such Member complies with Section 7.1, and (ii) such Member shall have first given written notice to the Company and the Class A Common Members of its intent to do so and such Transfer is thereafter completed in accordance with Section 7.3.5 hereof. Said notice (the "NOTICE") shall name the proposed transferee (which shall have made a bona fide written offer on the terms set forth in the Notice) (the "PROPOSED TRANSFEREE"), specify the portion of such Member's Membership Interest to be Transferred (the "OFFERED INTEREST") and the price and terms of the bona fide offer, and be accompanied by a copy of the bona fide offer. If the consideration offered by the Proposed Transferee for the Offered Interest consists of property other than cash, then the Transferring Member and the Manager will attempt to agree on the fair market value ("FAIR MARKET VALUE") of such property. If they are unable to agree on Fair Market Value within ten (10) days following receipt of the Notice by the Company, Fair Market Value shall be determined as follows:

(a) The Transferring Member and the Manager will each select within two (2) business days after the end of such ten (10) day period a qualified appraiser, and such selected appraisers will, within twenty (20) days of their selection, render their respective determinations of Fair Market Value. Such determinations will be delivered concurrently, so that the Transferring Member and the Manager will each learn at the same time the determination of the other's appraiser.

(b) If the Fair Market Value reflected in the higher of the two appraisals (the "HIGHER INITIAL APPRAISAL") is not greater than one hundred five percent (105%) of the Fair Market Value reflected in the lower of the two appraisals (the "LOWER INITIAL APPRAISAL"), Fair Market Value will be the average of the two appraisals. If the two appraisals are not within this range, the two appraisers will within two (2) business days select a third qualified appraiser to determine Fair Market Value. The third appraiser will deliver to the Transferring Member and the Manager its determination of Fair Market Value within twenty (20) days of its selection.

(c) If the Higher Initial Appraisal is greater than one hundred five percent (105%) but not greater than one hundred twenty percent (120%) of the Lower Initial Appraisal, then Fair Market Value will be equal to the average of the two (2) of the three (3) appraisals that are closest to one another (or if the highest and lowest appraisal are equidistant from the middle, then Fair Market Value will be equal to the middle appraisal).

(d) If the Higher Initial Appraisal is greater than one hundred twenty percent (120%) of the Lower Initial Appraisal, then Fair Market Value will be equal to either the Higher Initial Appraisal or the Lower Initial Appraisal, whichever is closest to the third appraisal (or if the Higher Initial Appraisal and the Lower Initial Appraisal are equidistant from the third appraisal, then such Fair Market Value will be equal to the third appraisal).

(e) The Company will pay the cost of the appraisals and will promptly make available to the Transferring Member, the Manager, their respective representatives and the appraisers selected as provided above (subject to appropriate and customary confidentiality agreements) all information concerning the Company and its finances and operations as may be reasonably requested for purposes of determining Fair Market Value.

7.3.2 Company's Right of First Refusal. Within the later of (a) twenty (20) days following receipt of the Notice by the Company or (b) ten (10) days after the determination of Fair Market Value of the consideration offered by the Proposed Transferee in accordance with Section 7.3.1 above, if applicable, the Company shall send a written notice (the "COMPANY NOTICE") to the Class A Common Members, stating the portion of the Offered Interest that it wishes to purchase.

7.3.3 Second Refusal by Members. Unless the Company Notice specifies all of the Offered Interest, within ten (10) days after the mailing of the Company Notice, each Class A Common Member which desires to purchase a portion of the Offered Interest shall give a written notice (the "ELECTION NOTICE") to the Company specifying the maximum portion of the Offered Interest such Member wishes to purchase.

7.3.4 Exercise of Right of Refusal. If at the end of such 10-day period the aggregate Membership Interest specified in the Company Notice and the Election Notices is equal to or exceeds the Offered Interest, the Company shall be liable to purchase the portion of the Offered Interest specified in the Company Notice and each Class A Common Member which properly elects to purchase any of the Offered Interests (the "EXERCISING MEMBER") shall be jointly and severally liable to purchase the portion of the Offered Interest Properly Allocated (as defined below) to it, and the Transferring Member shall sell such Offered Interest on the terms set forth in the Notice, except if the consideration offered by the Proposed Transferee for the Offered Interest consists of property other than cash, then the Company and the Exercising Members shall pay for the Offered Interest in cash in an amount equal to the fair market value of such consideration determined in accordance with Section 7.3.1 above. The Offered Interests purchased by the Company pursuant to this Section 7.3 shall be deemed cancelled. For purposes of this Section 7.3.4, "PROPERLY ALLOCATED" means, with regard to allocation of Membership Interests among the Exercising Members, an allocation such that no Exercising Member's percentage of the Membership Interests being allocated, when divided by such Member's then Percentage Interest, shall be greater than a similar ratio for any other Exercising Member, except that of any Member which receives the maximum Membership Interest specified in its Election Notice.

7.3.5 Failure to Exercise Right of First Refusal. Upon the expiration of the periods for exercise of the respective rights of first and second refusal by the Company and the Class A Common Members, unless they have agreed to purchase all of the Offered Interest, all, but not a portion, of the Offered Interest may (subject to Section 7.1) be Transferred within ninety (90) days to the Proposed Transferee, at the price and on the terms specified in the Notice. No Transfer of the Membership Interest specified in the Notice shall be made after the expiration of said 90-day period, nor shall any change in the Proposed Transferee or the terms of Transfer be made, without a new Notice and compliance with the provisions of this Section 7.3.

7.4 Effective Date of Permitted Transfers. Any permitted Transfer of all or any portion of a Membership Interest shall be effective no earlier than the date following the date upon which the requirements of this Agreement have been met.

7.5 Effect of Permitted Transfers. After the effective date of any Transfer of any part of a Membership Interest in accordance with this Agreement, the Membership Interest so Transferred shall continue to be subject to the terms, provisions, and conditions of this Agreement and any further Transfers shall be required to comply with all of the terms, provisions, and conditions of this Agreement. Any transferee of all or any portion of a Membership Interest shall take subject to the restrictions on Transfer imposed by this Agreement. Notwithstanding anything to the contrary in this Section 7.5, any part of a Membership Interest Transferred to the Company shall be deemed cancelled.

7.6 Substitution of Members. Except as provided in Section 7.2, a transferee of a Membership Interest shall not have the right to become a substitute Member until each of the following is true: (i) the requirements of Section 7.1.1 are satisfied; (ii) such Person executes an instrument satisfactory to the Members approving the transfer and to the Manager accepting and adopting the terms, provisions, and conditions of this Agreement, including without limitation Section 10.15 herein, with respect to the acquired Membership Interest; and (iii) such Person pays any reasonable expenses in connection with such Person's admission as a new Member. The admission of a substitute Member shall not result in the release of the Member who assigned the Membership Interest from any liability that such Member may have to the Company.

## ARTICLE VIII

## BOOKS AND RECORDS; ACCOUNTING; TAX MATTERS

8.1 Books and Records. The Manager shall cause the books and records of the Company to be kept, and the financial position and the results of its operations to be recorded, in accordance with generally accepted accounting principles; provided, however, that the Manager may, to the extent appropriate under applicable tax and accounting principles, maintain separate and corresponding records for book and tax purposes. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business.

8.2 Delivery to Members and Inspection.

8.2.1 Upon the request of any Member for purposes reasonably related to the interest of that Person as a Member, the Manager shall make available to the requesting Member information required to be maintained by Section 8.1; provided, however, that the Manager shall have the right to keep confidential from the Members, for such period of time as the Manager deems reasonable, any information which the Manager reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Manager in good faith believes is not in the best interest of the Company or could damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential.

8.2.2 Any request, inspection, or copying of information by a Member under this Section 8.2 may be made by that Person or that Person's agent or attorney.

8.3 Financial Statements.

8.3.1 General. The Manager shall provide any Member with such quarterly unaudited financial statements of the Company as such Member may from time to time reasonably request.

8.3.2 Annual Report. The Manager shall cause annual audited financial statements to be sent to each Member holding more than one Unit not later than 120 days after the close of the calendar year. The report shall contain a balance sheet as of the end of the calendar year and an income statement and statement of changes in financial position for the calendar year. Such financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied and be accompanied by the report thereon of the independent accountants engaged by the Company.

8.4 Tax Returns. The Manager shall cause to be prepared at least annually information necessary for the preparation of the Members' federal and state income tax and information returns. The Manager shall send or cause to be sent to each Member, or as soon as practicable following the end of each Allocation Period, but in no event later than July 15, (i) such information as is necessary to complete such Member's federal and state income tax or information returns, and (ii) a schedule setting forth each Member's Capital Account balance as of the end of the most recent Allocation Period. The Manager shall cause the income tax and information returns for the Company to be timely filed with the appropriate authorities. If a Member requests, the Company shall provide such Member with copies of the Company's federal, state, and local income tax or information returns for that year, tax-related schedules, work papers, appraisals, and other documents as reasonably required by such Member in preparing its tax returns.

8.5 Other Filings. The Manager also shall cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Certificate and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations.

8.6 Bank Accounts. The Manager shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person.

8.7 Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Manager or the Board. The Manager or the Board may rely upon the advice of the Company's accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes or financial accounting purposes (as applicable).

8.8 Tax Matters.

8.8.1 Taxation as Partnership. The Company shall be treated as a partnership for tax purposes. The Company shall avail itself of any election or procedure under the Code or the Regulations and under state and local tax law, including any "check-the-box" election, for purposes of having an entity classified as a partnership for tax purposes, and the Members shall cooperate with the Company in connection therewith and hereby authorize the Manager, directors, and officers to take whatever actions and execute whatever documents are necessary or appropriate to effectuate the foregoing.

8.8.2 Elections; Tax Matters Partner. Subject to the provisions of this Agreement, the Manager shall from time to time cause the Company to make such tax elections as it deems to be necessary or appropriate. The Members hereby designate CII as the "tax matters partner" (within the meaning of Code Section 6231(a)(7)) to represent the Company in connection with all examinations of the Company's affairs by tax authorities, including without limitation resulting judicial and administrative proceedings, and shall expend Company funds for professional services and costs associated therewith.

8.8.3 Section 754 Election. The Company shall elect, pursuant to Section 754 of the Code and any like provision of applicable state law, to adjust the Basis of the Company's property with respect to its first taxable year; each Member agrees to provide the Company with all information necessary to give effect to such elections. The Company will not revoke any elections under Section 754 of the Code or any like provision of applicable state law in effect for itself or for any of the Falcon Companies and will administer the elections so as to reflect (i) gain recognized by the Falcon Sellers with respect to the sale of the Falcon Purchased Interests and the contribution of the Falcon Contributed Interest to the

Company and (ii) gain recognized by the Members with respect to their dispositions of the Units.

8.8.4 Falcon Allocation Agreements. The sum of (i) the Falcon Cash Consideration allocable (pursuant to Section 2.3(d) of the Falcon Purchase Agreement) to the membership interest in CC VII, LLC, a Delaware limited liability company, and to the partnership interests in Falcon other than the Falcon Contributed Interest, (ii) the Falcon Equity Value, and (iii) liabilities of the Falcon Companies allocable pursuant to Section 752 of the Code to the partnership interests in Falcon, shall be allocated among the assets of the Falcon Companies that are tax partnerships in accordance with the Falcon Allocation Agreement (as defined in Section 6.10(h) of the Falcon Purchase Agreement), and the aggregate gross value of all the membership interests in the Company (including liabilities of the Company and its Subsidiaries) shall be allocated among the assets of the Company and its Subsidiaries in accordance with the Charter Allocation Agreement (as defined in Section 6.10(h) of the Falcon Purchase Agreement). Unless otherwise required by applicable law, CII and Class D Common Members agree to act, and cause their respective Affiliates to act, in accordance with the allocations provided herein in any relevant tax returns or similar filings.

## ARTICLE IX

## DISSOLUTION AND WINDING UP

9.1 Dissolution. The Company shall be dissolved, its assets shall be disposed of, and its affairs shall be wound up on the first to occur of the following:

(a) The entry of a decree of judicial dissolution pursuant to Section 18-802 of the Act;

(b) The Approval of the Members; provided, however, that (i) prior to the beginning of the Put Period (as defined in the Bresnan Put Agreement), the Company will not be dissolved or liquidated without the consent of all Bresnan Holders, which consent shall not be unreasonably withheld, and (ii) the Company will not be dissolved or liquidated unless (x) such dissolution or liquidation can be accomplished in a manner that does not cause adverse tax or economic consequences to TCI Bresnan LLC and/or TCID of Michigan, Inc. (taking into account any compensation to be provided to such entities) in excess of One Million Dollars ($1,000,000) or (y) the Company receives the written consent of such adversely affected entity; or

(c) The last remaining Member's ceasing to be a Member of the Company unless the Company is continued without dissolution in accordance with the Act.

9.2 Winding Up. Upon the occurrence of any event specified in Section 9.1, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfeying the claims of its creditors. The Manager shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the assets and liabilities of the Company, shall either cause its assets to be sold to any Person or distributed to a Member, and if sold, as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 9.5 herein. All actions and decisions required to be taken or made by such Person(s) under this Agreement shall be taken or made only with the consent of all such Person(s).

9.3 Distributions in Kind. Any non-cash asset distributed to one or more Members shall first be valued at its fair market value to determine the gain or loss that would have been included in the amounts allocated pursuant to Article VI if such asset were sold for such value. Such gain or loss shall then be allocated pursuant to Article VI, and the Members' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the fair market value of such interest (net of any liability secured by such asset that such Member assumes or takes subject to).

9.4 Determination of Fair Market Value. For purposes of Section 9.2 and 9.3, the fair market value of each asset of the Company shall be determined in good faith by the Manager, or if the Common Members holding more than one percent (1%) of all outstanding Common Units request, by an independent, third-party appraiser experienced in the valuation of the type of assets at issue, selected in good faith by the Manager and the Common Members requesting such appraisal. The Company shall bear the costs of the appraisal.

9.5 Order of Distributions Upon Liquidation. After satisfying (whether by payment or reasonable provision for payment) the debts and liabilities of the Company to the extent required by law, including without limitation debts and liabilities to Members who are creditors of the Company to the extent permitted by law, the remaining assets shall be distributed to the Members in the following order:

9.5.1 First, to the Class A Preferred Members as of the date of distribution, pro rata to such Members in accordance with the respective sums of (i) their Class A Preferred Contributed Amounts in respect of the Class A Preferred Units then held by them, and (ii) the Class A Preferred Return Amounts with respect to such Units, until each such Member shall have received an amount equal to such sum with respect to such Member as of the date of distribution; provided, however, that no distribution shall be made pursuant to this Section 9.5.1 that creates or increases a Capital Account deficit for any Member which exceeds such Member's obligation deemed and actual to restore such deficit, determined as follows: Distributions shall first be determined tentatively pursuant to this Section 9.5.1 without regard to the Members' Capital Accounts, and then the allocation provisions of Article VI shall be applied tentatively as if such tentative distributions had been made. If any Member shall thereby have a deficit Capital Account which exceeds such Member's obligation (deemed or actual) to restore such deficit, the actual distribution to such Member pursuant to this Section 9.5.1 shall be equal to the tentative distribution to such Member less the amount of the excess to such Member; and

9.5.2 Second, to the Common Members in accordance with their positive Capital Account balances, after taking into account income and loss allocations for the Company's taxable year during which liquidation occurs.

Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within ninety (90) days after the date of such liquidation.

9.6 Limitations on Payments Made in Dissolution. Each Member shall be entitled to look solely to the assets of the Company for the return of such Member's positive Capital Account balance. Notwithstanding that the assets of the Company remaining after payment of or due provision for all debts, liabilities, and obligations of the Company may be insufficient to return the Capital Contributions or share of Net Profits reflected in such Member's positive Capital Account balance, a Member shall have no recourse against the Company or any other Member.

9.7 Certificate of Cancellation. Upon completion of the winding up of the affairs of the Company, the Manager, as an authorized person, shall cause to be filed in the office of the Delaware Secretary of State, an appropriate certificate of cancellation.

9.8 Termination. The Company shall terminate when all of the assets of the Company have been distributed in the manner provided for in this Article IX, and the certificate of cancellation is filed in accordance with Section 9.7.

9.9 No Action for Dissolution. Except as expressly permitted in this Agreement and to the fullest extent permitted by law, a Member shall not take any voluntary action that directly causes a dissolution of the Company.

9.10 Bankruptcy of a Member. The bankruptcy (as defined in the Act) of a Member shall not cause the Member to cease to be a Member of the Company, and upon such an event, the Company shall continue without dissolution.

ARTICLE X

MISCELLANEOUS

10.1 Complete Agreement. This Agreement (including any schedules or exhibits hereto), any documents referred to herein or therein (the "TRANSACTION DOCUMENTS"), and the Certificate contain the entire understanding of the parties with respect to the subject matter hereof. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth or referred to herein. Except for the Transaction Documents, this Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter. The parties acknowledge that this Agreement contains provisions that are not yet effective because they relate to the transactions described in recitals E and F contemplated but not yet consummated. The relevant provisions shall be given effect only upon and to the extent of the consummation of each of such transactions on the Class C Common Measuring Date and the Class D Common Measuring Date.

10.2 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement shall be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

10.3 Parties in Interest. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

10.4 Pronouns; Statutory References; Agreement References. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, or other statutes or laws shall include all amendments, modifications, or replacements of the specific sections and provisions concerned. Any reference to any agreement defined in Article I of this Agreement shall include all amendments, modifications, or replacements of the specific sections and provisions concerned.

10.5 Headings. All headings herein are inserted only for convenience and ease of reference and shall not be considered in the construction or interpretation of any provision of this Agreement.

10.6 References to this Agreement. Numbered or lettered articles, sections, and subsections herein contained refer to articles, sections, and subsections of this Agreement unless otherwise expressly stated.

10.7 Governing Law. This Agreement shall be enforced, governed by, and construed in accordance with the laws of the State of Delaware, regardless of the choice or conflict of laws provisions of Delaware or any other jurisdiction.

10.8 Severability. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those to which it is held invalid shall not be affected thereby.

10.9 Additional Documents and Acts. Each Member agrees to execute and deliver, from time to time, such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out, and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

10.10 Notices. Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement shall be in writing (which may include facsimile) and shall be deemed to have been given and received when delivered to the address specified by the party to receive the notice. The respective address of each Member shall be as set forth on Schedule A attached hereto. Any party may, at any time by giving five (5) days' prior written notice to the other parties, designate any other address in substitution of the foregoing address to which such notice shall be given.

10.11 Amendments. Any amendment to this Agreement shall be adopted and be effective as an amendment hereto only upon the Approval of the Members; provided, however, (i) that this Agreement may not be amended in a manner that is adverse to the

Class D Common Members and that treats the Class D Common Units in a discriminatory manner vis-a-vis the Class A Common Units, without the consent of Class D Common Members owning a majority of the Class D Common Units adversely affected, (ii) that this Agreement may not be amended in a manner that is adverse to the Class C Common Members, without the consent of Class C Common Members owning a majority of the Class C Common Units adversely affected, (iii) that this Agreement may not be amended in a manner that is adverse to the Class A Common Members, without the approval of the Class A Common Members owning a majority of the Class A Common Units adversely affected, and (iv) that this Agreement may not be amended (a) in a manner that is adverse to the Class A Preferred Members with respect to their redemption and preferred return rights under Section 3.5.2 or 3.5.3, transfer rights under Section 7.2.5, or liquidation rights under Section 9.5.1 or (b) in a manner that adversely alters any other expressly articulated rights of the Class A Preferred Members hereunder and that treats the Class A Preferred Members in a discriminatory manner vis-a-vis the Common Members, without the consent of Class A Preferred Members owning a majority of the Class A Preferred Units. Without limiting the generality of the foregoing, no consent of the Members, other than the Approval of the Members, shall be required to amend this Agreement (x) to issue additional Units or any other securities of the Company pursuant to the terms of this Agreement, (y) to admit additional Members in connection with any issuance of Units to such Persons pursuant to the terms of this Agreement, or (z) to subdivide or combine any outstanding Units pursuant to Section 3.6.1 of this Agreement. Each Member hereby irrevocably constitutes and appoints the Manager as its true and lawful attorney-in-fact, in its name, place, and stead, to make, execute, acknowledge, and file any duly adopted amendment to or restatement of this Agreement. It is expressly intended by each Member that the power of attorney granted by the preceding sentence is coupled with an interest, shall be irrevocable, and shall survive and not be affected by the subsequent disability or incapacity of such Member (or if such Member is a corporation, partnership, trust, association, limited liability company or other legal entity, by the dissolution or termination thereof).

10.12 No Interest in Company Property; Waiver of Action for Partition. No Member has any interest in specific property of the Company or any Subsidiary. Without limiting the foregoing, each Member irrevocably waives during the duration of the Company any right that such Member may have to maintain any action for partition with respect to the property of the Company.

10.13 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

10.14 Remedies Cumulative. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any Person may be lawfully entitled.

10.15 Investment Representation. Each Member hereby represents to, and agrees with, the other Members and the Company that such Member is acquiring the Membership Interest for investment purposes for such Member's own account only and not with a view to or for sale in connection with any distribution of all or any part of the Membership Interest. No other Person will have any direct or indirect beneficial interest in or right to the Membership Interest.

10.16 Spousal Consent. Each Member who is a married individual shall, upon becoming a Member or, if later, upon becoming married, cause his spouse to execute a spousal consent in the form attached hereto as Schedule 10.16 and shall furnish such consent to the Company.

IN WITNESS WHEREOF, the Members have executed this Agreement, effective as of the date first written above.

Charter Investment, Inc.

By: ___________________________________
Name:
Title:

Vulcan Cable III Inc.

By: ___________________________________
Name:
Title:

Charter Communications, Inc.

By: ___________________________________
Name:
Title:

Rifkin Holders

________________________________

Accepting its appointment as the Manager of the Company under and to the extent provided in Section 5.1.1 of this Agreement:

Charter Investment, Inc.

By: ___________________________________
Name:
Title:

Charter Communications, Inc.

By: ___________________________________
Name:
Title:

SCHEDULE A

MEMBERS; ADDRESS; NUMBER OF UNITS

| | NUMBER OF UNITS | | | |
|---|---|---|---|---|
| MEMBER/ADDRESS | CLASS A COMMON | CLASS B COMMON | CLASS A PREFERRED | CLASS A PREFERRED CONTRIBUTED AMOUNT |
| Charter Investment, Inc.<br>12444 Powerscourt Drive, Suite 400<br>St. Louis, Missouri 63131<br>Attn: Jerald L. Kent | 217,585,243 | | | |
| Vulcan Cable III Inc.<br>110 110th Avenue, N.E., Suite 550<br>Bellevue, WA 98004 | __________ | | | |
| Charter Communications, Inc.<br>12444 Powerscourt Drive, Suite 400<br>St. Louis, Missouri 63131 | | __________ | | |
| Kevin B. Allen<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 5,188,139 | $5,188,139 |
| Paul A. Bambei<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 127,909 | $127,909 |
| Jeffrey D. Bennis<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 2,794,309 | $2,794,309 |
| Stephen E. Hattrup<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 340,591 | $340,591 |

| MEMBER/ADDRESS | NUMBER OF UNITS<br>CLASS A COMMON | CLASS B COMMON | CLASS A PREFERRED | CLASS A PREFERRED CONTRIBUTED AMOUNT |
|---|---|---|---|---|
| Morris Children's Trust<br>c/o Charles R. Morris III<br>4875 South El Camino Drive<br>Englewood, CO 80111 | | | 1,301,648 | $1,301,648 |
| CRM II Limited Partnership, LLLP<br>c/o Charles R. Morris III<br>4875 South El Camino Drive<br>Englewood, CO 80111 | | | 4,509,283 | $4,509,283 |
| Lucille Maun<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 94,165 | $94,165 |
| Peter N. Smith<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 333,896 | $333,896 |
| Dale D. Wagner<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 591,092 | $591,092 |
| Interlink Investment Corp<br>c/o Kevin B. Allen<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 9,395,889 | $9,395,889 |
| Monroe M. Rifkin<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 5,015,511 | $5,015,511 |
| Bruce A Rifkin<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 1,253,657 | $1,253,657 |

| MEMBER/ADDRESS | NUMBER OF UNITS | | | |
|---|---|---|---|---|
| | CLASS A COMMON | CLASS B COMMON | CLASS A PREFERRED | CLASS A PREFERRED CONTRIBUTED AMOUNT |
| Stuart G. Rifkin<br>Baker & Hostetler<br>303 E. 17th Avenue, Suite 1100<br>Denver, CO 80202 | | | 4,921,689 | $4,921,689 |
| Ruth Rifkin Bennis<br>5570 Preserve Drive<br>Greenwood Village, CO 80121 | | | 3,573,973 | $3,573,973 |
| Rifkin Family Investment Company, LLLP<br>c/o Monroe M. Rifkin, General Partner<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 40,291,828 | $40,291,828 |
| Rifkin & Associates, Inc.<br>c/o Monroe M. Rifkin<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 30,636,166 | $30,636,166 |
| Indiana Cablevision Management Corp<br>c/o Monroe M. Rifkin<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 2,834,366 | $2,834,366 |
| Charles R. Morris, III<br>4875 South El Camino Drive<br>Englewood, CO 80111 | | | 6,213,875 | $6,231,875 |
| 360 Group<br>c/o Monroe M. Rifkin<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 2,761,721 | $2,761,721 |

| MEMBER/ADDRESS | NUMBER OF UNITS | | | |
|---|---|---|---|---|
| | CLASS A COMMON | CLASS B COMMON | CLASS A PREFERRED | CLASS A PREFERRED CONTRIBUTED AMOUNT |
| Rifkin Children's Trust<br>c/o Monroe M. Rifkin, Co-Trustee<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 3,042,190 | $3,042,190 |
| Rifkin Children's Trust-II<br>c/o Monroe M. Rifkin, Co-Trustee<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 1,628,551 | $1,628,551 |
| Rifkin Children's Trust-III<br>c/o Monroe M. Rifkin, Co-Trustee<br>R&A Management, LLC<br>360 South Monroe Street, Suite 600<br>Denver, CO 80209 | | | 6,461,670 | $6,461,670 |

SCHEDULE 3.3

Taking into account the effect of conversion of any Units into Class A Common Units or Class B Common Units at the time of the IPO, for each Class A Common Member and Class B Common Member, the amount of such Member's initial Capital Account balance as of the Class B Common Measuring Date shall equal an amount such that the following ratio is the same for each such Member: the amount of such Member's Capital Account balance with respect to such Member's Common Units as of the Class B Common Measuring Date plus, for a Class B Common Member, the amount of any Capital Contributions to be made by such Member pursuant to Section 3.1.3(a) which have not yet been made as of the Class B Common Measuring Date, divided by the number of Common Units held by such Member as of the Class B Common Measuring Date. Such Capital Account balances shall be set forth on this Schedule 3.3, which shall be completed as soon as practicable following the Class B Common Measuring Date.

SCHEDULE 3.6.6

On the Class D Common Measuring Date, the number of Class D Common Units issued to FHGLP will be the product of (i) the total number of Common Units issued and outstanding immediately after the issuance of Class D Common Units pursuant to Section 3.6.6 and (ii) the ratio, the numerator of which will equal the Falcon Equity Value and the denominator of which will equal the sum of (x) the Charter Value and (y) the Falcon Equity Value; provided, however, that to the extent that the assets described in clause (v) of the definition of Charter Value have not been acquired by the Company or its Subsidiaries and the "definitive agreements" to which such assets are subject are terminated, then Class D Common Members shall be issued additional Class D Common Units in an amount sufficient to provide them with the same economic interests in the Company that they would have had if the Charter Value determined as of the Class D Common Measuring Date had been reduced by the value of such assets determined in clause (v) (taking into account distributions from the Company to its Members and other events occurring after the Class D Common Measuring Date but prior to the issuance of additional Class D Common Units to Class D Common Members); provided, further, that if prior to the Class D Common Measuring Date, CII or the Company has taken an action (other than dispositions of obsolete equipment or other equipment deemed to be unnecessary in the ordinary operations of the Company's business) that has resulted in a reduction in the assets of the Company, then an appropriate adjustment (as mutually agreed between FHGLP and CII) may be made to the number of Class D Common Units in the Company received by FHGLP to reflect such reduction.

SCHEDULE 6.7.1

| PROPERTY | ALLOCATION METHOD |
| --- | --- |
| If Class D Common Units are not converted into Class B Common Units at the time of the IPO, Falcon Contributed Interest to the extent that at the time of its contribution to the Company its Gross Asset Value differs from its Basis | Remedial Method |

| PROPERTY | GROSS ASSET VALUE |
| --- | --- |

SCHEDULE 10.16

The undersigned is the spouse of _____________ and acknowledges that ____ [he/she] has read the Amended and Restated Limited Liability Company Agreement ("AGREEMENT") of Charter Communications Holding Company, LLC, a Delaware limited liability company (the "Company"), dated as of ________, 1999, as amended or supplemented from time to time, and understands its provisions. The undersigned is aware that, by the provisions of the Agreement, ____ [he/she] and _____ [his/her] spouse have agreed to sell or transfer all ____ [his/her] Membership Interest in the Company, including any community property interest or quasi-community property interest, in accordance with the terms and provisions of the Agreement. The undersigned hereby expressly approves of and agrees to be bound by the provisions of the Agreement in its entirety, including, but not limited to, those provisions relating to the sales and transfers of Membership Interests and the restriction thereon. If the undersigned predeceases ____ [his/her] spouse when ____ [his/her] spouse owns any Membership Interest in the Company, ____ [he/she] hereby agrees not to devise or bequeath whatever community property interest or quasi-community property interest ____ [he/she] may have in the Company in contravention of the Agreement.

Date: ____________________________

Signature: ________________________

Name: ___________________________

Exhibit 10.16(c)

# CONSULTING AGREEMENT

This CONSULTING AGREEMENT is made as of the _____ day of October, 1999 by and between Barry L. Babcock, an individual residing in the State of Missouri (the "CONSULTANT"), and Charter Communications, Inc., a Delaware corporation ("CCI").

W I T N E S S E T H:

WHEREAS, CCI desires to have the benefits of the Consultant's knowledge and experience in the cable television industry by having the Consultant render consulting services to CCI on the terms and conditions set forth herein;

WHEREAS, the Consultant desires to render services to CCI on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Duties. CCI hereby agrees to retain the Consultant as a consultant to CCI and the Consultant agrees to render consulting services to CCI subject to the terms and conditions hereof. The Consultant shall provide such consulting services and shall be responsible for such duties as the President and Chief Executive Officer ("CEO") of CCI may reasonably determine from time to time.

2. Term. The term of this Agreement shall commence as of the date hereof and shall terminate on March 31, 2000 (the "INITIAL TERM"); provided, however, that this Agreement may be extended as mutually agreed by the CEO and the Consultant.

3. Consideration for Consulting Services.

3.1 Cash Compensation. During the Initial Term of this Agreement, in consideration of the Consultant's willingness to be available to provide consulting services to CCI, CCI shall pay the Consultant monthly compensation at the rate of ten thousand dollars ($10,000) or such higher rate as may from time to time be determined by the CEO in his discretion, which shall be payable on the first day of each month.

3.2 Benefit Plans. To the extent permitted by applicable law and the documents governing the plans referred to in this sentence, the Consultant shall be entitled to participate in any disability and health insurance plan of CCI. In the event the Company is prohibited by applicable law or the terms of the plan documents referred to above from such insurance, CCI shall pay an amount to the Consultant, as mutually agreed by the Consultant and the CEO, sufficient to enable the Consultant to obtain benefits comparable to those no longer provided by CCI.

3.3 Expenses. The Consultant shall be entitled to receive reimbursement for all reasonable out-of-pocket expenses incurred by the Consultant in the performance of his duties hereunder, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by CCI.

3.4 Other Benefits. At the Consultant's request, CCI shall provide to the Consultant an office at its principal offices and secretarial services.

4. Indemnification. CCI agrees to indemnify and hold harmless to the maximum extent permitted by law the Consultant from and against any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of the performance by the Consultant of his duties as a Consultant or director of CCI or any of its affiliates and any activities engaged in by the Consultant on behalf of CCI or any of its affiliates or as a Consultant or director of CCI or any of the foregoing, which the Consultant believed in good faith to be within the scope of such duties.

5. Termination.

5.1 Termination. At any time, either CCI or the Consultant may terminate this Agreement for any reason, by giving thirty (30) days advance written notice to the other party.

5.2 Effect of Termination. In the event of a termination of this Agreement pursuant to Section 5.1, CCI shall pay the Consultant an amount equal to the aggregate compensation due the Consultant during the remainder of the Initial Term.

6. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered in person or transmitted by telecopy or similar means of recorded electronic communication to the relevant party as follows:

(a) in the case of the Consultant, to the address set forth opposite his name on the signature page hereto, with a copy to:

Paul, Hastings, Janofsky & Walker LLP
399 Park Avenue
New York, NY 10022
Attention: Daniel G. Bergstein, Esq.
Telecopy: (212) 319-4090;

(b) in the case of CCI, to:

Charter Communications, Inc.
12444 Powerscourt Drive, Suite 100
St. Louis, MO
Attention: Jerald L. Kent, President & CEO
Telecopy: (314) 965-8793

with a copy to Curtis S. Shaw, General Counsel

Any such notice or other communication shall be deemed to have been given and received on the day on which it is delivered or telecopied (or, if such day is not a business day or if the notice or other communication is not telecopied during business hours, at the place of receipt, on the next following business day). Any party may change its address for the purposes of this Section 6 by giving notice to the other parties in accordance with the foregoing.

7. Assignability and Enforceability. This Agreement shall be binding on and enforceable by the parties and their respective successors and permitted assigns. No party may assign any of its rights or benefits under this Agreement to any person without the prior written consent of the other party.

8. Expenses of this Agreement. All costs and expenses of CCI and/or the Consultant (including, without limitation, legal, accounting and other professional fees) incurred in connection with this Agreement or the transactions contemplated hereby shall be paid by CCI.

9. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

10. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

11. Sections and Headings. The division of this Agreement into Sections and the insertion of headings are for reference purposes only and shall not affect the interpretation of this Agreement.

12. Entire Agreement. This Agreement and any agreements or documents referred to herein or executed contemporaneously herewith, constitutes the entire agreement among

the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

13. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

14. Amendments and Waivers. No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall be construed as a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise expressly provided. No provision of this Agreement shall be deemed waived by a course of conduct unless such waiver is in writing signed by all parties and stating specifically that it was intended to modify this Agreement.

15. Survivability. Notwithstanding any contrary provision in this Agreement, the provisions of Section 4 hereof shall survive the termination of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement.

CHARTER COMMUNICATIONS, INC.

_____________________________
Name:
Title:

BARRY L. BABCOCK

____________________

____________________

____________________

_____________________________

Exhibit 10.16(d)

October __, 1999

Mr. Barry L. Babcock
760 Kent Road
St. Louis, MO 63124

Re: Termination of Employment Agreement

Dear Mr. Babcock:

This letter agreement will set forth the terms pursuant to which the Employment Agreement (the "Employment Agreement") dated December 23, 1998, between you and Charter Communications, Inc. (now known as Charter Investment, Inc. ("CII")) will be terminated.

1. Termination and Severance. CII and you agree that, except as provided herein, the Employment Agreement shall terminate and no longer be of any force or effect and your execution of this letter agreement shall constitute your resignation as Vice Chairman of CII and from all other positions as a director, officer or employee of an affiliated entity of CII. In consideration for the termination of the Employment Agreement, CII will pay you an amount equal to the sum of your base salary for the period from the date hereof until the end of the Initial Term (as defined in the Employment Agreement) and a bonus in the amount of $312,500.

2. Options. Charter Communications, Inc. ("CCI"), CII, Charter Communications Holding Company, LLC ("Charter Holdco") and you (i) agree that in light of the Consulting Agreement (the "Consulting Agreement") entered into by you and CCI pursuant to which you will provide consulting services to CCI, the termination of the Employment Agreement shall not constitute an event of termination for purposes of Section 6 of the Charter HoldCo 1999 Option Plan (the "Plan") and (ii) all unvested Options (as defined in the Plan) held by you as of the date hereof shall vest immediately.

3. Indemnification. As provided in the Consulting Agreement, CCI has agreed to indemnify you and hold you harmless 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 you of your duties as a consultant of CCI or any of its affiliates and any activities engaged in by you on behalf of CCI or any of its affiliates or as a consultant of CCI or any of the foregoing, which you believe in good faith to be within the scope of such duties. As provided in Section 22 of the Employment Agreement, notwithstanding the termination of the Employment Agreement, CII agrees to indemnify you and hold you harmless 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 you of your duties as an officer, director or Vice Chairman and director of CII, Marcus Cable Properties, Inc. or any of their respective Affiliates (as defined in the Employment Agreement) and Subsidiaries (as defined in the Employment Agreement) and any activities engaged in by you on behalf of CII or any of their respective Subsidiaries or Affiliates or as an officer, director or employee of CII or any of the foregoing, which you believe in good faith to be within the scope of such duties prior to or after the Closing (as defined in the Employment Agreement) (including without limitation, any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of litigation involving Cencom Cable Income Partners, L.P. and Cencom Cable Income Partners II, L.P., as contemplated by the Employment Agreement).

4. Governing Law. This letter agreement shall be governed and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

5. Counterparts. This letter agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

Please indicate your acceptance of the terms of this letter agreement and your agreement to be bound by the terms hereof by countersigning the enclosed copy of this letter agreement.

CHARTER INVESTMENT, INC.

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Name:
Title:

CHARTER COMMUNICATIONS, INC.

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Name:
Title:

CHARTER COMMUNICATIONS
HOLDING COMPANY, LLC

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Name:
Title:

AGREED AND ACCEPTED:

- - --------------------------
Barry L. Babcock

Exhibit 10.17(c)

# CONSULTING AGREEMENT

This CONSULTING AGREEMENT is made as of the _____ day of November, 1999 by and between Howard L. Wood, an individual residing in the State of Missouri (the "CONSULTANT"), and Charter Communications, Inc., a Delaware corporation ("CCI").

W I T N E S S E T H:

WHEREAS, the Consultant is a party to an Employment Agreement (the "Employment Agreement"), dated as of December 23, 1998, with Charter Communications, Inc. (now known as Charter Investment, Inc.);

WHEREAS, the Employment Agreement has been terminated pursuant to a letter agreement dated the date hereof;

WHEREAS, CCI desires to have the benefits of the Consultant's knowledge and experience in the cable television industry by having the Consultant render consulting services to CCI on the terms and conditions set forth herein;

WHEREAS, the Consultant desires to render services to CCI on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Duties. CCI hereby agrees to retain the Consultant as a consultant to CCI and the Consultant agrees to render consulting services to CCI subject to the terms and conditions hereof. The Consultant shall provide such consulting services and shall be responsible for such duties as the President and Chief Executive Officer ("CEO") of CCI may reasonably determine from time to time. The Consultant shall not be required to devote no more than 120 hours during the Initial Term or any Renewal Term to the provision of consulting services to CCI.

2. Term. The term of this Agreement shall commence as of the closing of the initial public offering of the common stock of CCI (the "IPO CLOSING") and shall terminate on the first anniversary of the IPO Closing (the "INITIAL TERM"); provided, however, that the Initial Term shall be extended and this Agreement shall automatically be renewed for successive one-year periods ("RENEWAL TERMS") unless (i) this Agreement is terminated in accordance with the provisions of Section 5 hereof, or (ii) the Consultant or CCI provides written notice to the other of such party's desire not to extend this Agreement at

least sixty (60) days prior to the expiration of the Initial Term or any Renewal Term, as the case may be, of this Agreement, under this Section 2.

3. Consideration for Consulting Services.

3.1 Cash Compensation. During the Initial Term of this Agreement , CCI shall pay the Consultant annual compensation at the rate of sixty thousand dollars ($60,000) or such higher rate as may from time to time be determined by the CEO in his discretion, which shall be payable in equal monthly installments on the first day of each month. During any Renewal Term, CCI shall pay the Consultant annual compensation at a rate to be determined by the CEO, but in no event shall the annual compensation during a Renewal Term be less than sixty thousand dollars ($60,000).

3.2 Benefit Plans. To the extent permitted by applicable law and the documents governing the plans referred to in this sentence, the Consultant shall be entitled to participate in any disability and health insurance plan of CCI. In the event the Company is prohibited by applicable law or the terms of the plan documents referred to above from such insurance, CCI shall pay an amount to the Consultant, as mutually agreed by the Consultant and the CEO, sufficient to enable the Consultant to obtain benefits comparable to those no longer provided by CCI.

3.3 Expenses. The Consultant shall be entitled to receive reimbursement for all reasonable out-of-pocket expenses incurred by the Consultant in the performance of his duties hereunder, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by CCI.

3.4 Other Benefits. CCI shall continue to maintain an office in Bonne Terre, Missouri for the Consultant's use and CCI shall pay for one full-time secretary to be employed in such office. In addition, at the Consultant's request, CCI shall provide to the Consultant an office at its principal offices. The Board of Directors of CCI may, in its discretion, grant to Consultant options to purchase common stock or other equity interests of CCI or any of its affiliates.

4. Indemnification. CCI agrees to indemnify and hold harmless to the maximum extent permitted by law the Consultant from and against any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of the performance by the Consultant of his duties as a Consultant or director of CCI or any of its affiliates and any activities engaged in by the Consultant on behalf of CCI or any of its affiliates or as a Consultant or director of CCI or any of the foregoing, which the Consultant believed in good faith to be within the scope of such duties.

5. Termination.

5.1 Termination. At any time, either CCI or the Consultant may terminate this Agreement for any reason, by giving thirty (30) days advance written notice to the other party.

5.2 Effect of Termination. In the event of a termination of this Agreement pursuant to Section 5.1, CCI shall pay the Consultant an amount equal to the aggregate compensation due the Consultant during the remainder of the Initial Term, or Renewal Term, as the case may be, under this Agreement.

6. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered in person or transmitted by telecopy or similar means of recorded electronic communication to the relevant party as follows:

(a) in the case of the Consultant, to the address set forth opposite his name on the signature page hereto, with a copy to:

Paul, Hastings, Janofsky & Walker LLP
399 Park Avenue
New York, NY 10022
Attention: Daniel G. Bergstein, Esq.
Telecopy: (212) 319-4090;

(b) in the case of CCI, to:

Charter Communications, Inc.
12444 Powerscourt Drive, Suite 100
St. Louis, MO
Attention: Jerald L. Kent, President & CEO
Telecopy: (314) 965-8793

with a copy to Curtis S. Shaw, General Counsel:

Any such notice or other communication shall be deemed to have been given and received on the day on which it is delivered or telecopied (or, if such day is not a business day or if the notice or other communication is not telecopied during business hours, at the place of receipt, on the next following business day). Any party may change its address for the purposes of this Section 6 by giving notice to the other parties in accordance with the foregoing.

7. Assignability and Enforceability. This Agreement shall be binding on and enforceable by the parties and their respective successors and permitted assigns. No party may assign any of its rights or benefits under this Agreement to any person without the prior written consent of the other party.

8. Expenses of this Agreement. All costs and expenses of CCI and/or the Consultant (including, without limitation, legal, accounting and other professional fees) incurred in connection with this Agreement or the transactions contemplated hereby shall be paid by CCI.

9. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

10. Third Party Beneficiaries. Except for the rights of the Consultant's heirs, executors, administrators, testamentary trustees, legatees or beneficiaries upon the Consultant's death, no person other than the parties hereto shall have any rights under this Agreement, except that CCI may assign its rights hereunder to any subsidiary or affiliate of CCI; provided that CCI shall be required to perform any assigned obligation not performed by such assignee.

11. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

12. Sections and Headings. The division of this Agreement into Sections and the insertion of headings are for reference purposes only and shall not affect the interpretation of this Agreement.

13. Entire Agreement. This Agreement and any agreements or documents referred to herein or executed contemporaneously herewith, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

14. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

15. Amendments and Waivers. No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall be construed as a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise expressly provided. No provision of this Agreement shall be deemed waived by a course of conduct unless such waiver is in writing signed by all parties and stating specifically that it was intended to modify this Agreement.

16. Survivability. Notwithstanding any contrary provision in this Agreement, the provisions of Section 4 hereof shall survive the termination of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement.

CHARTER COMMUNICATIONS, INC.

______________________________
Name:
Title:

HOWARD L. WOOD

____________________

____________________

____________________

______________________________

Exhibit 10.17(d)

November 1, 1999

Mr. Howard Wood
1100 Wood Lane
Bonne Terre, MO 63628

Re: Termination of Employment Agreement

Dear Mr. Wood:

This letter agreement will set forth the terms pursuant to which the Employment Agreement (the "Employment Agreement") dated December 23, 1998, between you and Charter Communications, Inc. (now known as Charter Investment, Inc. ("CII")) will be terminated.

1. Termination and Severance. CII and you agree that, except as provided herein, upon the closing (the "IPO Closing") of the initial public offering of the common stock of Charter Communications, Inc. ("CCI"), the Employment Agreement shall terminate and no longer be of any force or effect. In consideration for the termination of the Employment Agreement, CII will pay you an amount equal to the sum of your base salary for the period from the IPO Closing until the end of the Initial Term (as defined in the Employment Agreement) and a bonus in the amount of $312,500

2. Options. Charter Communications, Inc. ("CCI"), CII, Charter Communications Holding Company, LLC ("Charter Holdco") and you (i) agree that in light of the Consulting Agreement (the "Consulting Agreement") entered into by you and CCI pursuant to which you will provide consulting services to CCI, the termination of the Employment Agreement shall not constitute an event of termination for purposes of Section 6 of the Charter HoldCo 1999 Option Plan (the "Plan") and (ii) all unvested Options (as defined in the Plan) held by you as of the date hereof shall vest immediately.

3. Indemnification. As provided in the Consulting Agreement, CCI has agreed to indemnify you and hold you harmless 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 you of your duties as a consultant or

director of CCI or any of its affiliates and any activities engaged in by you on behalf of CCI or any of its affiliates or as a consultant or director of CCI or any of the foregoing, which you believe in good faith to be within the scope of such duties. As provided in Section 22 of the Employment Agreement, notwithstanding the termination of the Employment Agreement, CII agrees to indemnify you and hold you harmless 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 you of your duties as an officer, director or Vice Chairman of the Board and director of CII, Marcus Cable Properties, Inc. or any of their respective Affiliates (as defined in the Employment Agreement) and Subsidiaries (as defined in the Employment Agreement) and any activities engaged in by you on behalf of CII or any of their respective Subsidiaries or Affiliates or as an officer, director or employee of CII or any of the foregoing, which you believe in good faith to be within the scope of such duties prior to or after the Closing (as defined in the Employment Agreement) (including without limitation, any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of litigation involving Cencom Cable Income Partners, L.P. and Cencom Cable Income Partners II, L.P., as contemplated by the Employment Agreement).

4. Governing Law. This letter agreement shall be governed and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

5. Counterparts. This letter agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

Please indicate your acceptance of the terms of this letter agreement and your agreement to be bound by the terms hereof by countersigning the enclosed copy of this letter agreement.

CHARTER INVESTMENT, INC.

-----------------------------
Name:
Title:

CHARTER COMMUNICATIONS, INC.

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Name:
Title:

CHARTER COMMUNICATIONS
HOLDING COMPANY, LLC

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Name:
Title:

AGREED AND ACCEPTED:

- - --------------------------
Howard Wood

Exhibit 10.18(a)

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

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NOTE PURCHASE AND EXCHANGE AGREEMENT

Dated as of October 21, 1991

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11.56% Series A Subordinated Notes due March 31, 2001
11/56% Series B Subordinated Notes due March 31, 2001

FALCON TELECABLE, A CALIFORNIA LIMITED PARTNERSHIP
474 South Raymond Avenue,
Suite 200
Pasadena, CA 91105

NOTE PURCHASE AND EXCHANGE AGREEMENT

11.56% Series A Subordinated Notes due March 31, 2001
11/56% Series B Subordinated Notes due March 31, 2001

Dated as of October 21, 1991

The Mutual Life Insurance
Company of New York
MONY Life Insurance Company
of America
1740 Broadway
New York, NY 10019
Attention: MONY Capital Management

Dear Sirs:

Falcon Telecable, a California limited partnership (herein called the "Company"), hereby agrees with you as follows:

SECTION 1. The Notes.

Section 1.1. Authorization. The Company has duly authorized the issuance and sale, on the terms hereinafter provided, of $20,000,000 aggregate principal amount of its 11.56% Series A Subordinated Notes due March 31, 2001 (herein called collectively the "Series A Notes" and individually a "Series A Note") and $15,000,000 aggregate principal amount of its 11.56% Series B Subordinated Notes due March 31, 2001 (herein called collectively the "Series B Notes" and individually a "Series B Note", and together with the Series A Notes, collectively the "Notes"). Each Note will be in a denomination of not less than $100,000 or any larger integral multiple of $1,000, and the interest accruing thereon will be payable in semiannual installments on the last day of March and

September ("Interest Payment Dates") in each year commencing with the interest payment date next succeeding the date of such Note.

Each Series A Note will have a final maturity of March 31, 2001, will bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid portion of the principal amount thereof at the rate of 11.56% per annum, from the date of the Note until such unpaid portion of such principal amount shall have come due and payable (whether at maturity, by acceleration or otherwise), on any overdue portion of such principal amount and premium, if any, at the rate of 12.56% per annum until paid and, to the extent not prohibited by applicable law, on any overdue installment of interest at the rate of 12.56% per annum until paid, and will be substantially in the form set forth in Exhibit A to this Agreement. Each Series B Note will have a final maturity of March 31, 2001, will bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid portion of the principal amount thereof at the rate of 11.56% per annum, from the date of the Note until such unpaid portion of such principal amount shall have become due and payable (whether at maturity, by acceleration or otherwise), on any overdue portion of such principal amount and premium, if any, at the rate of 12.56% per annum until paid and, to the extent not prohibited by applicable law, on any overdue installment of interest at the rate of 12.56% per annum until paid, and will be substantially in the form set forth in Exhibit B to this Agreement.

Section 1.2. Deferral of Interest Payments. Notwithstanding anything contained in Section 1.1 or in the Series A Notes, 100% of the interest due and payable on the Series A Notes on the first six Interest Payment Dates and such portion of the interest due and payable on the Series A Notes on the seventh and eighth Interest Payment Dates as shall exceed interest accruing at a rate of 8% per annum shall be deferred (in each case, the "Deferred Interest") and on each such Interest Payment Date on which the payment of interest has been deferred, an amount equal to the amount of Deferred Interest with respect to each Series A Note shall be added to the unpaid principal amount of such Series A Note. Deferred Interest added to the principal of a Series A Note shall bear interest at the same rate as the original principal amount of such Series A Note bears interest, and shall be due and payable when the original principal amount of the Series A Notes becomes due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise.

Section 1.3. Issuance of Series B Notes in Exchange for Outstanding 11.52% Subordinated Notes; Purchase and Sale of Series A Notes; Closings. The Company has theretofore issued pursuant to a Note Purchase Agreement dated as of June 15, 1988 between the Company and The Mutual Life Insurance Company of New York ("Mutual") and there remain outstanding on the date hereof, $15,000,000 aggregate principal amount of the Company's 11.52% Subordinated Notes due July 1, 1998 (the "11.52% Subordinated Notes"). Subject to the terms and conditions herein set forth, the Company hereby agrees to sell to Mutual $20,000,000 principal amount of Series A Notes, and to issue in exchange for the 11.52% Subordinated Notes $12,500,000 principal amount of Series B Notes to Mutual (with $2,500,000 principal amount thereof to be registered in the name of Mutual's nominee, GIPEN & Co.) and $2,500,000 principal amount of Series B Notes to MONY Life Insurance Company of America ("MONY America") and, in reliance on the representations and warranties of the Company herein contained, Mutual agrees to purchase from the Company, such aggregate principal amount of Series A Notes at the purchase price of 100% of such principal amount, and Mutual and MONY America agree to exchange such outstanding 11.52% Subordinated Notes for Series B Notes in a like outstanding principal amount. The purchase, sale and exchange of the Notes shall take place on October 25, 1991 or such later date, not later than November 27, 1991, as may be agreed upon in writing by the Company and you (Mutual and MONY America, together with any of their nominees being called the "Purchasers"). Such purchase and sale shall herein be called the "Closing" and the date on which the Closing takes place shall herein be called the "Closing Date".

The Closing shall take place at the offices of The Mutual Life Insurance Company of New York, 1740 Broadway, New York, NY, or such other place in the City of New York as the Company and the Purchasers may mutually agree, at 10:00 A.M., New York City time on the Closing Date, at which time the Company shall deliver to Mutual one Series A Note (or, if Mutual shall have so requested prior to the Closing Date, Notes in the denominations authorized by Section 1.1), dated the Closing Date, in an aggregate principal amount equal to the principal amount of the Series A Notes to be purchased by Mutual on the Closing Date, and one Series B Note in the principal amount of $10,000,000 payable to The Mutual Life Insurance Company of New York, one Series B Note in the principal amount of $2,500,000 payable to GIPEN & Co. and one Series B Note in the principal amount of $2,500,000 payable to MONY Life Insurance Company of America (or, if either of you shall have so requested prior to the Closing Date, Series B Notes in the denominations authorized by Section 1.1) dated the Closing Date, in an aggregate principal amount equal to the aggregate principal amount of 11.52% Subordinated Notes being surrendered on the Closing Date in exchange therefor. Each Note shall be payable to the respective Purchaser purchasing such Note or to such other Person and Persons designated as its nominee. The Company will pay, on the Closing Date, by wire transfer to the holders of the 11.52% Subordinated Notes pursuant to the instructions for payment contained in Schedule I hereto, interest accrued and unpaid to the date of Closing on the 11.52% Subordinated Notes being surrendered.

Section 1.4. Use of Proceeds. The purchase price of the Series A Notes being purchased on the Closing Date shall be paid in cash or in consideration of the redemption by the Company of the limited partnership interest held by Mutual.

SECTION 2. Prepayments.

Section 2.1. Optional Prepayments. The Company may at its option, prepay the Series A Notes at any time and may prepay the Series B Notes at any time on or after June 30, 1993, in whole or in part in a principal amount of $100,000 or any larger integral multiple of $1,000, at 100% of the principal amount of the Notes so to be prepaid, plus accrued interest thereon to the date fixed for such prepayment, without premium in the case of a prepayment of the Series A Notes and plus a premium equal to the Make-Whole Amount in the case of a prepayment of the Series B Notes.

Section 2.2. Prepayment Upon Company's Dissolution. In addition to any optional prepayments which may be mad pursuant to Section 2.1, if the Company shall have been dissolved in accordance with the Partnership Agreement, the Company may during the process of dissolution and termination of the Company prepay all, but not less than all, of the outstanding Notes at a price equal to 100% of the principal amount of the Notes being prepaid plus interest accrued thereon to the date of any such prepayment and, with respect to the prepayment of Series B Notes only, together with a premium equal to the then applicable Make-Whole Amount.

Section 2.3. Notice of Prepayment. If the Company shall elect to prepay any Notes or any portions thereof pursuant to Section 2.1 or 2.2, the Company shall give notice of such prepayment to each holder of the Notes to be prepaid not less than 30 or more than 60 days prior to the date fixed for prepayment, specifying (i) such date, (ii) the principal amount of such Notes to be prepaid on such date and (iii) the premium, if any, and accrued interest applicable to the prepayment.

Section 2.4. Notes Due and Interest Ceases on Prepayment Date. On each date fixed for prepayment in a notice given pursuant to Section 2.3, there shall become due and payable, and the Company shall be obligated to prepay, the principal amount of each Note, or portion thereof to be prepaid, plus interest accrued on such principal amount, or portion thereof, to the prepayment date, plus the applicable premium, if any. If any Note is to be prepaid in whole or in part as provided in Section 2.1 or Section 2.2, then the principal amount of such Note, or the portion thereof to be prepaid, as the case may be, shall cease to bear interest on and after the date fixed for such prepayment, provided such prepayment is duly made or duly provided for. If any Note is to be prepaid in whole or in part as provided in Section 2.1 or Section 2.2 but such prepayment is not duly made or duly provided for prior to or on the date fixed for such prepayment, then such Note shall continue to bear interest on any overdue principal amount of such Note and applicable premium, if any, and, to the extent not prohibited by applicable law, on any overdue installment of interest thereon at the rate set forth in Section 1.1.

Section 2.5. Partial Prepayment Pro Rata. Upon any partial prepayment of the Notes, the aggregate principal amount of any optional prepayment of the Notes pursuant to Section 2.1 shall be allocated among the holders of all the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of all the Notes then outstanding and held by them, with adjustments, to the extent practicable, to equalize for any prior prepayments not in such proportion. In the event that any prepayment shall be partly with premium and partly without premium, it shall be treated as two separate prepayments, and there shall be two separate allocations, each on the basis as hereinabove provided. For the purposes of this Section 2.5 only, any Notes repurchased by the Company or Affiliates shall be deemed to be outstanding and the Company shall be deemed to be the holder thereof, and at any date of an allocation to be made under this Section 2.5, such repurchased or prepaid Notes shall be deemed to have been reduced in principal amount by the pro rata portion of any prepayment theretofore made pursuant to Section 2.1 which would have been allocated thereto had such Notes not been so repurchased.

Section 2.6. Surrender of Notes on Prepayment. Subject to Section 3.4, upon any partial prepayment of a Note, such Note shall, at the option of the holder thereof, be either (a) surrendered to the Company pursuant to Section 3.1(b) in exchange for a new Note of like tenor, executed by the Company, in a principal amount equal to the principal amount remaining unpaid on the surrendered Note, or (b) made available to the Company for notation thereon of the portion of the principal so prepaid. In case the entire principal amount of any Note is prepaid, such Note shall be surrendered to the Company for cancellation and shall not be reissued, and no Note shall be issued in lieu of the prepaid principal amount of any Note.

SECTION 3. Registration, Transfer, Exchange and Replacement of Notes.

Section 3.1. Registrations, Transfer and Exchange of Notes. (a) The Company shall keep at its office maintained pursuant to Section 7.1 a register for the registration of the Notes and transfers thereof. The names and addresses of the holders of the Notes, the transfer thereof and the names and addresses of the transferees of the Notes shall be registered in the register, transfer of any Note shall be registered on the aforesaid register books unless evidenced by a written instrument of transfer, in form reasonably satisfactory to the Company, duly executed by the registered owner in person or by his duly authorized attorney. Subject to Section 3.4, the Company may treat the Person in whose name any Note is registered as the holder of such Note for all purposes of this Agreement, and the company shall not be affected by any notice or knowledge to the contrary.

(b) Upon surrender of any Note or Notes at its office maintained pursuant to Section 7.1, the Company, at the request of the holder thereof, shall execute and, in exchange therefor and upon cancellation thereof, shall deliver, at the Company's expense (except as provided below in this Section 3.1(b)), a new Note or Notes of the same Series as the Note being surrendered and in such denominations of not less than $100,000 or any larger integral multiple of $1,000 as may be requested (except as may be required to reflect payments of the principal of the Note so surrendered) and in the same aggregate principal amount as, and dated as of the interest payment date to which interest has been paid on, or if no interest has yet been so paid, then dated the date of, the Note or Notes so surrendered. Each such new Note shall be payable to such Person or Persons as such holder may request. The Company may require payment of a sum sufficient to cover any stamp tax or Governmental charge imposed in respect of any transfer.

Section 3.2. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Note and (a) in the case of loss, theft, or destruction, upon receipt by the Company of indemnity or security reasonably satisfactory to it (except that if the holder of such Note is an insurance company or other institution of recognized responsibility, the holder's own agreement of indemnity shall be deemed to be satisfactory), or (b) in the case of mutilation, upon surrender to the Company of such mutilated Note and cancellation thereof, the Company at its expense shall execute and deliver in lieu thereof of a new Note of the same Series and of like tenor, in the same unpaid principal amount as the Note being replaced and dated as of the date to which interest has been paid on such Note, or, if no interest has yet been so paid, then dated the date of such Note and registered in the same manner as the Note being replaced.

Section 3.3. Delivery Expenses. If any Note shall be required to be presented to the Company pursuant to this Agreement, the Company will pay the cost of delivering to or from the holder's home office or offices from or to the Company, insured to the holder's satisfaction, the Note so presented and any Note issued in substitution or replacement for the Note so presented.

Section 3.4. Method and Place of Payment of Principal, Premium and Interest. Notwithstanding any provision to the contrary in this Agreement or the Notes, the Company will punctually pay all amounts payable with respect to the principal of, premium, if any and interest on any Notes held by you, your nominee or any other institutional holder of recognized responsibility or its nominee (without any presentment thereof and without any notation of such payment being made thereon), (a) if specified in Schedule I hereto or by written notice to the Company, by crediting before 1:00 P.M., New York City time, by federal funds bank wire transfer, to your or such holders designated bank account, (b) if payment in the manner provided by the foregoing clause (a) has not been specified and no other manner of payment has been agreed to pursuant to the following clause (c), by check drawn upon New York Clearing House funds payable to the order of such holder duly mailed and addressed to the address specified with respect to such holder pursuant to Section 11.1 or (c) in such other manner as may be agreed to in writing by you or such holder and the Company. Except for payment of the Notes at final maturity, each payment in respect of the Notes shall be accompanied by a notice addressed to the holder of the Note with respect to which such payment is being made, referring to this Agreement and such Note, stating the specific provision or provisions hereof or thereof under which such payment is being made and setting forth the amount of such payment attributable to prepayments of principal, interest and premium, if any.

SECTION 4. General Representations and Warranties.

The Company hereby represents and warrants as follows:

Section 4.1. Financial Statements. The Company has heretofore delivered to you the balance sheets of the Company as at December 31, 1987, 1988, 1989 and 1990 and statements of operations and cash flows for the fiscal year of the company ended on such dates, and the reports thereon of BDO Seidman, independent certified public accountants, and a balance sheet of the Company as of June 30, 1991 and statements of operations and cash flows for the six-month period ended on June 30, 1991, certified to by the chief financial officer of the Company. Such financial statements including the related schedules and notes, have been prepared in accordance with generally accepted accounting principles consistently applied and, to the best of the Company's knowledge, present fairly the financial position of the Company as of June 30, 1991 and the results of operations for the six-month period ended on June 30, 1991, subject to customary year-end adjustments.

Section 4.2. Subsidiaries. The Company has no Subsidiaries other than Falcon/Capital Cable, a Delaware general partnership.

Section 4.3. Due Organization and Authority. The Company (a) has been duly organized as a limited partnership under the Partnership Agreement and is validly existing under the laws of the State of California, (b) has all requisite power and authority to own or hold under lease, its properties and assets, to operate its properties and assets and to conduct its business as currently conducted and as currently proposed to be conducted, (c) has all requisite power and authority to execute, deliver and perform this Agreement and to issue, sell and deliver the Notes to you and (d) has duly qualified to do business as a foreign entity and its in good standing in each jurisdiction wherein the character of the properties or assets owned or held under lease by it or the nature of the business conducted by it makes such qualification necessary.

Section 4.4. Pending Litigation. There are no actions, suits, proceedings, inquiries or investigations pending or, to the best knowledge of the Company, threatened against or affecting the Company in any court or by or before any arbitrator or Government or, to the best knowledge of the Company, is there any basis therefor, which, if adversely determined, might materially adversely affect the Business Condition of the Company or materially adversely affect the ability of the Company to perform this Agreement or to pay when due, in accordance with the terms of the Notes and this Agreement, the principal of, and premium, if any and interest on, the Notes.

Section 4.5. Compliance with Contractual Obligations and Requirements of Law. (a) The Company is not in default in the performance, observance or fulfillment of any Contractual Obligation, nor does any condition exist or has any event occurred which constitutes, or, but for any requirement of notice or lapse of time, or both, would constitute, an event of default by it under any Contractual Obligation, nor is the Company in breach or violation of, or in default under, any Requirement of Law, where such defaults in performance, observance or fulfillment, conditions, events, breaches, violations or defaults, individually or in the aggregate, might materially adversely affect the Business Condition of the Company or might materially adversely affect the ability of the Company to perform this Agreement or to pay when due, in accordance with the terms of the Notes and this Agreement, the principal of, and premium, if any, and interest on the Notes.

(b) Neither the execution and delivery of this Agreement or the Notes, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms, conditions and provisions hereof or thereof, by the Company:

(i) will conflict with, or result in a breach or violation of, or constituted a default under, any Requirement of Law on the part of the Company or will conflict with, or result in a breach or violation of, or constitute a default in the performance, observance or fulfillment of any obligation, covenant or condition contained in, or will constitute, or but for any requirement of notice or lapse of time, or both, would constitute, an event of default by the Company under, any Contractual Obligation; or

(ii) will require any filing with, or other action involving, any Government Body.

(c) The Company is not a party to any Contractual Obligation which materially adversely affects the Business Condition of the Company or materially adversely affects the Company's ability to perform this Agreement or to pay when due, in accordance with the terms of the Notes and this Agreement, the principal of, and premium, if any, and interest on, the Notes. The Company is not party to any Contractual Obligation which restricts its rights or ability to incur Indebtedness (other than this Agreement, the Bank Credit Agreement and the Partnership Agreement).

Section 4.6. Full Disclosure. Neither the financial statements referred to in Section 4.1, nor this Agreement nor any certificate, written statement or other document furnished or to be furnished by or on behalf of the Company to you in connection with the negotiation of this Agreement or the sales of the Notes contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained therein or herein not misleading. There heretofore disclosed to you in writing and which materially adversely affects, or in the future may (so far as the Company can reasonably foresee) materially adversely affect, the Business Condition of the Company.

Section 4.7. Status under Federal Laws and Regulations. The Company does not own, directly or indirectly, and does not have the present intention of acquiring or owning in the future, any "margin security" (as such term is defined in Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R., Part 207), as amended). The Company will not use any part of the proceeds from the sales of the Notes, directly or indirectly, for "purchasing or carrying" (within the meaning of said Regulation G any such "margin security" or for reducing or retiring any indebtedness originally incurred for such purpose. None of the transactions contemplated by this Agreement (including, without limitation, the direct or indirect use of the proceeds from the sales of the Notes) will violate or result in a violation of Section 7 of the Securities

Exchange Act of 1934 or any regulations issued thereunder, including, without limitation, said Regulation G and Regulation T (12 C.F.R., Part 220), as amended, and Regulation X (12 C.F.R., Part 224), as amended, of said Board of Governors.

Section 4.8. ERISA. (a) As used in this Section 4.8, the terms "accrued benefits", "employee benefit plans" and "employee pension benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA; the term "accumulated funding deficiency" shall have the meaning assigned to such term in Section 302 of ERISA and Section 412 of the Code; the term "prohibited transaction" shall have the meaning assigned to such term in Section 4975 of the Code and Section 406 of ERISA; and the term "reportable event" shall have the meaning assigned to such term in Section 4043 of ERISA.

(b) The Company has not, with respect to any employee benefit plan established or maintained by the Company (the "Plans"), engaged in a prohibited transaction that could subject the Company to a tax or penalty on prohibited transactions. No Plan that is subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code had an accumulated funding deficiency, whether or not waived, as the last day of the most recent fiscal year of such Plan heretofore ended. No liability to the Pension Benefit Guaranty Corporation has been, or is expected by the Company to be, incurred by the Company with respect to any Plan other than for premium payments. There has been no reportable event with respect to any Plan since the effective date of Section 4043 of ERISA not otherwise disclosed in the notes to the financial statements of the Company for the year ended December 31, 1990, and since such date no event or condition has occurred that presents a material risk of termination of any Plan by the Pension Benefit Guaranty Corporation. In the aggregate, the actuarially determined present value of all accrued benefits under each Plan that is subject to Part 3 of Subtitle B of Title of ERISA or Section 412 of the Code did not exceed the current value of assets of such Plans allocable to such benefits as of the most recent valuation date; in making this determination, if the actuarially determined present value of all accrued benefits under a Plan was not greater than the current value of the assets allocable to such benefits, then the values of that Plan's assets and benefits are not to be considered. The Company has not contributed to any employee pension benefit plan to which an employer other than the Company has contributed.

(c) The execution and delivery of this Agreement, the issuance and sale by the Company to you of Notes, and the purchase by you hereunder of Notes, will not involve any prohibited transaction. This representation is made in reliance upon, and subject to the correctness of, the representations made by you in Section 5.2 as to the source of the funds for the purchase of the Notes to be purchased by you hereunder.

Section 4.9. Securities Act. The Company hereby represents that (a) neither the Company nor any other Person acting on behalf of the Company has, directly or indirectly, sold or disposed of, or attempted or offered to sell or dispose of, any of the Notes or any similar securities of the Company to, or solicited offers to buy any such Notes or similar securities from, or otherwise approached or negotiated in respect of such Notes or similar securities with, any Person or Persons other than you and not more than fifteen other institutional investors, each of whom was offered a portion of the Notes or similar securities by the Company at private sale for investment; (b) neither the Company nor any other Person acting on behalf of the Company has offered for sale or sold any Notes or similar securities of the Company by means of any form of general solicitation or general advertising whatsoever; and (c) neither the Company nor any other Person acting on behalf of the Company will hereafter take any action with respect to the Notes or any similar securities of the Company which would adversely affect the exemption of the sale of the Notes from the registration provisions of the Securities Act.

SECTION 5. Certain Representations and Warranties by the Purchasers.

Section 5.1. Securities Act. You hereby represent that you are purchasing the Notes to be purchased by you for your own account for investment and with no present intention of distributing or reselling such Notes or any part thereof, subject nevertheless, to any requirements of law that the disposition thereof by you shall at all times be within your control but, also, subject to the requirements upon any such disposition of the Securities Act and the rules and regulations promulgated thereunder.

Section 5.2. ERISA. You represent that at least one of the following statements is an accurate representation as to the source of funds to be used by you to pay the purchase price of the Notes purchased by you hereunder:

(a) no part of such funds constitutes assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest; or

(b) to the extent that any part of such funds constitutes assets allocated to any separate account maintained by you, such account is not an account which may be deemed under ERISA directly or indirectly to constitute and contain the assets of any employee benefit plan with respect to which the Company is a party in interest or with respect to which the Notes would constitute employer securities (it being understood that this representation is made by you in reliance upon and subject to the accuracy of the representation of the Company set forth in Section 4.8 as to employee benefit plans with respect to which the Company is a party in interest and with respect to which its securities are (or were) employer securities).

As used in this Section 5.2, the terms "employee benefit plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA and the term "employer security" shall have the meaning assigned to such term in Section 416(d)(1) of ERISA.

SECTION 6. Closing Conditions of the Purchase.

The obligation of the Purchasers to purchase and pay for the Notes to be delivered on the Closing Date shall be subject to the satisfaction on the Closing Date of the following conditions precedent:

Section 6.1. Opinion of Company Counsel. You shall have received on the Closing Date from the Company's Counsel, Schiffmacher, Weinstein, Boldt & Racine, a favorable opinion dated the Closing Date addressed to you, substantially in the form set forth in Exhibit C hereto.

Section 6.2. Opinion of Special Company FCC Counsel. You shall have received on the Closing Date from the Company's special FCC Counsel, Fleischman and Walsh of Washington, D.C., a favorable opinion dated the Closing Date addressed to you, substantially in the form set forth in Exhibit D hereto.

Section 6.3. Representations True. All representations, warranties and statements by or on behalf of the Company contained in this Agreement or in any certificate, written statement or document furnished by or on behalf of the Company to you in connection with the negotiation of this Agreement, the sale of the Notes or the Company's performance of its obligations hereunder or thereunder, or otherwise furnished to you in compliance with this Agreement shall be true in all material respects on and as of the Closing Date with the same effect as though such representations, warranties and statements had been made on and as of the Closing Date.

Section 6.4. No Event of Default. The Company shall not have taken any action which it would have been prohibited from taking, or omitted or permitted the omission of any action which it would have been required to take, if the Notes had been outstanding at all times since the date of this Agreement; the Company will not upon the execution of the Notes to be delivered on the Closing Date be in default in the performance of any of the covenants and agreements hereunder; and no Event of Default, or event which after lapse of time would constitute an Event of Default, shall have occurred and be continuing on the Closing Date.

Section 6.5. Equity Redemption. The redemption of Mutual's limited partnership interest in the Company in accordance with the Limited Partnership Interest Redemption Agreement dated as of October 7, 1991 between the Company and Mutual shall have been concurrently completed.

Section 6.6. Payment of Fees. The Company shall have paid the fee referred to in Section 12.3(a).

Section 6.7. Proceedings, Instruments, etc. All proceedings to be taken in connection with the transaction contemplated by this Agreement, and all documents incidental thereto, shall be reasonably satisfactory in form, scope and substance to you, and you shall have received copies of all documents which you may reasonably request in connection with said transactions and copies of the records of all proceedings of the Company in connection therewith in form, scope and substance reasonably satisfactory to you.

Section 6.8. Officers' Certificate. The Company shall have delivered to you on the Closing Date a certificate or certificates, signed by the general partner of the Company, to the effect that the facts required to exist by Section 6.3 and 6.4 exist on the Closing Date.

SECTION 7. Business Covenants.

The Company covenants and agrees that so long as any Note shall be outstanding:

Section 7.1. Payment of Notes and Maintenance of Office. The Company will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of the Notes according to the terms thereof and will maintain an office at 474 South Raymond Avenue, Suite 200, Pasadena, California 91105, or such other place in the United States as it may from time to time specify by written notice to each holder of a Note given as provided in Section 12.1, where notices, presentments and demands in respect of this Agreement or the Notes may be given or made upon it.

Section 7.2. Payment of Taxes, Claims, etc. (a) The Company and each of its Subsidiaries will pay and discharge promptly:

(i) all taxes, assessments, fees and other governmental charges or levies imposed upon it or upon any of its properties, assets, income, profits or franchises before the same shall become delinquent; and

(ii) all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals which, if unpaid, might by law become a Lien or charge upon its properties or assets;

provided, however, that the Company shall not be required to pay any of the foregoing if (x) the amount, applicability or validity thereof shall currently be actively contested by appropriate proceedings (in the opinion of the Company's counsel in any case involving over $50,000) and in good faith, (y) the Company shall have made such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles and (z) insofar as the title of the Company to, and its right to use, any of its properties or assets may be affected thereby, such effect does not and will not have a material and adverse effect on the Company.

(b) The Company will pay and discharge, within the period required by law, any liability imposed upon it pursuant to Sections 4062, 4063 and 4064 of ERISA.

Section 7.3. Maintenance of Properties and Existence. The Company and each of its Subsidiaries will:

(a) maintain its existence, rights and franchises, and maintain its properties and assets (including properties and assets leased by it) in good condition, reasonable wear and tear excepted, and make all needful and proper renewals, replacements, additions, betterments and improvements to its properties and assets (including properties and assets leased by it), to the extent required (i) in order that the business carried on in connection therewith may be conducted properly and efficiently at all times and (ii) pursuant to its CATV Franchises;

(b) keep adequately insured, by financially sound and reputable insurers, all of its properties, assets and operations of a character usually insured by Persons of established reputation engaged in the same or a similar business similarly situated against loss or damage of the kinds and in amounts customarily insured against by such Persons, and carry, with such insurers, in customary amounts, such other insurance, including, without limitation, public liability insurance and liability insurance against claims for libel, slander, defamation, invasion of privacy or other like injury as a result of its transmissions as is usually carried by Persons of established reputation engaged in the same or a similar business similarly situated and to the extent required pursuant to its CATV Franchises; provided, however, that all such insurance shall be provided in such amounts and by such methods as shall prevent the Company from becoming a co-insurer within the terms of the policies in question;

(c) keep proper books of record and account in which full, true and correct entries will be made of all its business transactions in accordance with generally accepted accounting principles;

(d) make provision for on its books from its earnings for the fiscal year beginning in 1991 and for each fiscal year thereafter in amounts deemed adequate in the opinion of the Company, all proper accruals and reserves which, in accordance with generally accepted accounting principles, should be set aside from such earnings in connection with its business, including, without limitation, reserves for depreciation, depletion, obsolescence and amortization and accruals for taxes, if any, for such period; and

(e) not be in breach or violation of or in default in the performance, observance or fulfillment of any material obligation, covenant or condition contained in any Contractual Obligation, including, without limitation, its CATV Franchises, and not be in breach or violation of, or in default under, any Requirement of Law, including, without limitation, any requirement of or under the Communications Act or the rules, regulations or policies of the Federal Communications Commission thereunder, to which it is subject, in either case which breach, violation or default would materially and adversely affect the Business Condition of the Company;

provided, however, that nothing in subsection (a) above shall prevent the Company from selling or abandoning or terminating any right, license, permit, consent, approval, franchise or other authorization if such sale, abandonment, termination, liquidation or dissolution is, in the opinion of the general partners of the Company in the best interest of the Company, is not detrimental to the ability of the Company to pay when due, in accordance with terms of the Notes, this Agreement, the principal of, and premium, if any, and interest on, the Notes and is not prohibited by Section 7.8 or any other provisions of, and would not result in the occurrence of any Event of Default (or any event which with lapse of time would constitute an Event of Default) under, this Agreement.

Section 7.4. Indebtedness. Neither the Company nor any Subsidiary will become or remain liable in respect of any indebtedness (other than the borrowings under this Agreement and the Notes), except the following:

(a) Indebtedness outstanding under the Bank Credit Agreement in an aggregate principal amount at any time outstanding not exceeding $125,000,000;

(b) Indebtedness incurred from time to time under the Bank Credit Agreement or otherwise to pay all or any part of an installment of interest due on the Notes, provided, however, that the cumulative amount of such incurrences do not exceed $2,025,000;

(c) In addition to the Indebtedness permitted under clause (a) or clause (b) above, other Indebtedness for Money Borrowed (including Indebtedness outstanding under the Bank Credit Agreement in excess of that permitted by clause (a) or clause (b) above), provided, however, that (i) after giving effect to the incurrence of any such Indebtedness the Company would be in compliance with all the other covenants of this Agreement and (ii), if such Indebtedness is secured by a Lien, such Indebtedness is permitted by Section 7.6;

(d) Unsecured Current Liabilities (not the result of borrowing) incurred in the ordinary course of business; and

(e) Contingent liabilities permitted by Section 7.9.

Section 7.5. Sale of Property. Neither the Company nor any Subsidiary will sell, exchange, lease or otherwise dispose of any of its Property or enter into any agreement to do so, except for (i) assets disposed of in the ordinary course of business, (ii) trades of Cable Systems where the Cash Flow derived from assets obtained thereby is at least ninety percent (90%) of the Cash Flow derived from assets disposed of in such trade, (iii) sales of assets for cash if, within 30 days of the completion of any sale, the cash proceeds of such sale (net of any taxes or expenses related to such sale) are applied to the payment of the principal of Senior Debt and (iv) other dispositions of assets as long as the Cash Flow derived from the assets disposed of by the Company and its Subsidiaries in any one fiscal year does not exceed an amount equal to five percent (5%) of the Consolidated Cash Flow for that fiscal year.

Section 7.6. Liens. Neither the Company nor any Subsidiary will create, incur, assume or suffer to exist any Lien against or in any of the Property now owned or hereafter acquired by it except (a) Liens existing on the date hereof on Property of the Company securing indebtedness of the Company or on such Property of any Subsidiary securing indebtedness of such Subsidiary, (b) Liens in connection with workers' compensation, unemployment insurance or other social security obligations (which phrase shall not be construed to refer to ERISA), (c) deposits, pledges or liens to secure the performance of bids, tenders, letters of credit, contracts (other than contracts for the payment of borrowed money, as such term is defined in the definition of Funded Debt), leases, statutory obligations, surety, customs, appeal, performance and payment bonds and other obligations of like nature arising in the ordinary course of business, (d) mechanics', workmen's, carriers', warehousemen's, materialmen's, landlords', or other like Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith and by appropriate proceedings diligently conducted, (e) Liens in existence on the Property of any Person at the time such Person becomes a Subsidiary of the Company or of any Subsidiary by virtue of an investment made by the Company or such Subsidiary permitted under this Agreement, (f) Liens for taxes, assessments, fees or governmental charges or levies not delinquent or which are being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with Generally Accepted Accounting Principles on the books of the Company or such Subsidiary, (g) Liens or attachments, judgements or awards against the Company or any Subsidiary with respect to which an appeal or proceeding for review shall be pending or a stay of execution shall have been obtained, and which are otherwise being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with Generally Accepted Accounting Principles on the books of the Company or such Subsidiary, (h) statutory Liens in favor of lessors arising in connection with Property leased to the Company or any Subsidiary, (i) easements, rights of way, restrictions, leases of Property to others, easements for installations of public utilities, title imperfections and restrictions, zoning ordinances and other similar encumbrances affecting Property which in the aggregate do not materially impair its use for the operation of the business of the Company or such Subsidiary, (j) Liens securing Indebtedness and other obligations of the Company under the Bank Credit Agreement and Interest Rate Agreements and (k) Liens on Property (other than stock of a Subsidiary) hereafter acquired by the Company or any Subsidiary created contemporaneously with such acquisition to secure or provide for the payment or financing of any part of the purchase price thereof, or the assumption of any Lien in any such Property hereafter acquired existing at the time of such acquisition, or the acquisition of any such Property subject to any Lien without the assumption thereof, provided that each such Lien shall attach only to the Property so acquired; provided, however, neither the Company nor any Subsidiary shall create, incur or assume any Lien permitted under this Section 7.6 (other than Liens permitted by clause (j) hereof) if the Indebtedness to be secured by all Liens permitted under this Section 7.6 would exceed 10% of then outstanding Funded Debt.

Section 7.7. Restricted Payments. The Company will not, directly or through any Subsidiary, declare or pay any limited or general partnership distributions or, except for the redemption of limited partnership interests described in Section 6.5, apply any of its Property to the voluntary purchase, redemption or other retirement of, or set apart any sum for the voluntary payment of any distribution on, or make any other distribution by reduction of capital or otherwise in respect of, any units of its present or future partnership interests, issues of common stock, preferred stock, or any other security convertible into any of the foregoing issued by the Company hereafter (any of the foregoing being referred to as "Restricted Payments").

Section 7.8. Mergers, Consolidations and Acquisitions. Neither the Company nor any Subsidiary will consolidate with or merge into or with or otherwise be acquired by any Person, except that (i) any Subsidiary may merge into or be consolidated with the Company and (ii) the Company or any Subsidiary may acquire any Person or all or substantially all of the Property of any Person which is engaged in the Cable Business or in a business reasonably related thereto, provided that in either (i) or (ii) above the Company survives such consolidation, merger or acquisition.

Section 7.9. Contingent Liabilities. Neither the Company nor any Subsidiary will assume, guarantee, indorse, contingently agree to purchase or otherwise become liable upon the obligation of any Person (other than the Company or any Subsidiary) except (i) by the indorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) utility bonds, franchise agreement bonds, and pole agreement bonds entered into in the ordinary course of business and (iii) other guaranties of Indebtedness to the extent that the aggregate principal amount of Indebtedness guaranteed under this clause (iii) does not exceed $5,000,000.

Section 7.10. Sale and Leaseback. Neither the Company nor any Subsidiary, will directly or indirectly, enter into any arrangement whereby it shall sell or transfer all or any substantial part of any Property then owned by it and shall thereupon or within one year thereafter rent or lease the Property so sold or transferred except any such arrangement where the sale of Property would be permitted by the provisions of Section 7.5(iii).

Section 7.11. Obligations as Lessee. Neither the Company nor any Subsidiary will enter into or suffer to exist any arrangement as lessee of Property for a term in excess of one year (including any renewal terms at the option of the lessor) if, after giving effect thereto, (a) the aggregate of all such rental payments (excluding (i) programming and software contracts, and (ii) any lease permitting cancellation of the option of lessee within 60 days or less (or, in the case of so-called pole line, conduit duct pedestal or microwave relay agreements, within twelve months or less) after giving notice of such cancellation, without payment by the lessee of any penalty or charge other than the actual costs of restoring the leased property to its former condition or returning the leased property to the lessor) payable by the Company and its Subsidiaries for the next four fiscal quarters exceeds 5% of four times the Company's gross revenues for the preceding three months for which statements have been provided pursuant to Section 8.1(c) or (b) the aggregate of all such rental payments under all of such leases for their entire remaining terms exceed 10% of four times the Company's gross revenues for the preceding three months for which statements have been provided pursuant to Section 8.1(c).

Section 7.12. Investments, Loans, Etc. Neither the Company nor any Subsidiary will purchase or otherwise acquire, hold or invest in the stock of, or any other interest in, any Person other than a Subsidiary, or make any loan or advance to, or enter into any arrangement for the purpose of providing funds or credit to or make any other investment, whether by way of capital contribution or otherwise, in or with any Person other than a Subsidiary (all of which are sometimes hereinafter referred to as "Investments") or permit any Subsidiary so to do other than with respect to the Company or another Subsidiary except:

(a) Investments in short-term certificates of deposit with the Banks up to $2,000,000 in the aggregate;

(b) Investments in direct obligations of the United States of America and agencies thereof and in commercial paper carrying the highest rating by a nationally recognized rating bureau;

(c) Investments in Falcon/Capital Cable, a Delaware general partnership, in an aggregate amount not exceeding $1,260,000; and

(d) Other Investments as long as (i) such Investments are non-recourse to the Company and its Subsidiaries, (ii) 90% of the Investments under this clause (d) are in the Cable Business or directly related businesses, and (iii) outstanding aggregate Investments under this clause (d) do not exceed $1,000,000.

Section 7.13. Stock of Subsidiaries. Neither the Company nor any Subsidiary will sell or otherwise dispose of any shares of capital stock (or any options, rights or warrants to purchase capital stock or other Securities exchangeable for or convertible into capital stock) of any Subsidiary (such capital stock, options, rights, warrants and other Securities being herein called "Subsidiary Stock") or permit any Subsidiary to issue any additional shares of its capital stock (such Subsidiary whose Subsidiary Stock is being disposed of or which is issuing Subsidiary Stock being herein called the "Subject Subsidiary") except

(a) issuances of directors' qualifying shares;

(b) sales and issuances of Subsidiary Stock if, immediately after giving effect to such sale or issuance, the Company and its other Subsidiaries would own of each class of Subsidiary Stock of the Subject Subsidiary a percentage thereof which is not less than the percentage of outstanding shares of common stock of the Subject Subsidiary owned by them immediately prior to such sale or issuance; and

(c) sales for cash of the entire Investment owned by the Company and its Subsidiaries in a Subject Subsidiary, provided, that within 30 days of the completion of such sale the proceeds of such sale (net of any taxes or expenses related to such sale) are applied to the payment of the principal of Senior Debt; and

(d) dispositions and issuance of Subsidiary Stock in connection with a merger or consolidation of any Subsidiary into or with a wholly-owned Subsidiary.

Section 7.14. Management Fees. Neither the Company nor any Subsidiary will accrue or pay any management or similar fee to any Person other than the Company or a Subsidiary; provided, however, that (i) the Company may pay on or within ten days of the Closing Date not exceeding $1,350,000 of management fees which were previously accrued and the payment thereof deferred and (ii), in addition to the amounts permitted by clause (i), management fees for services provided by Persons other than the Company or a Subsidiary may be accrued and paid so long as (a) the total of such fees accrued in any fiscal year does not exceed 5% of the Company's gross revenues after such revenues are reduced by actual bad debt expense, (b) such fees are paid no more frequently than monthly and (c) at the time of payment of any such fee, no Event of Default exists.

Section 7.15. Pro Forma Debt Service Coverage. The ratio of (a) Annualized Cash Flow calculated with Pro Forma Adjustments to (b) Consolidated Debt Service for the immediately preceding period of four consecutive fiscal quarters shall not at any time be less than (i) from October 1, 1991 to and including December 31, 1992, 1 to 1, and (ii) from January 1, 1993 and thereafter, 1.2 to 1.

Section 7.16. Funded Debt to Cash Flow. The ratio of Consolidated Funded Debt to Consolidated Annualized Cash Flow calculated with Pro Forma Adjustments shall not at any time be greater than (i) from October 1, 1991 to and including December 31, 1992, 8.5 to 1, (ii) from January 1, 1993 to and including June 30, 1993, 8.0 to 1, (iii) from July 1, 1993 to and including December 31, 1993, 7.5 to 1, (iv) from January 1, 1994 to and including June 30, 1994, 7.0 to 1, (v) from July 1, 1994 to and including December 31, 1995, 6.5 to 1 and (vi) from January 1, 1996 and thereafter, 6.0 to 1.

Section 7.17. Transactions with Affiliates. Neither the Company nor any Subsidiary will enter into any transaction with any Person controlled by or under common control with the Company on any terms more favorable to such affiliate than those that would be obtained in an arm's length transaction, except as expressly permitted by the Partnership Agreement.

Section 7.18. Defeasance. The Company will not extinguish for any purpose any Indebtedness, including the Notes, by means of "in-substance defeasance" in accordance with Statement of Financial Accounting Standards Number 76 (November 1983) issued by the Financial Accounting Standards Board, or by any other mens, except by direct and full payment to the creditor or as a result of the legal release of liability by such creditor.

SECTION 8. Reports.

Section 8.1. Financial Statements. The Company will deliver to each holder of a Note:

(a) as soon as practicable after the end of each of the first three quarters in each fiscal year of the Company, and in any event within 60 days thereafter, duplicate copies of:

(i) the consolidated and consolidating balance sheet of the Company and its Subsidiaries as of the end of quarter, and

(ii) the consolidated and consolidating statements of operations, partners' equity and cash flows for such quarter and the portion of the fiscal year ending with such quarter of the Company and its Subsidiaries, setting forth in comparative form the figures for the corresponding periods (commencing after June 30, 1990) one year earlier,

all in reasonable detail and certified in a Company Certificate as having been prepared in accordance with generally accepted accounting principles consistently applied (without footnotes) during such periods and as being complete and correct in all material respects, subject to changes resulting from normal year-end audit adjustments;

(b) as soon as practicable after the end of each fiscal year of the Company, and in any event within 120 days thereafter, duplicate copies of

(i) the consolidated and consolidating balance sheet of the Company and its Subsidiaries as of the end of such year of the Company, and

(ii) the consolidated and consolidating statements of operations, partners' equity and cash flows, for such year, of the Company and its Subsidiaries, setting forth in each case in comparative form the figures for the previous fiscal year (in the case of such years commencing after December 31, 1991),

all in reasonable detail and (A) in the case of all such balance sheets and statements, certified by, and accompanied by the report of a Firm of Certified Public Accountants, and (B) in the case of all such balance sheets and statements, certified in a Company Certificate as having been prepared in accordance with generally accepted accounting principles consistently applied during such periods and as being complete and correct in all material respects;

(c) as soon as available, but in any event within 60 days of the close of each month, duplicate copies of the consolidating statement of operations for the Company and its Subsidiaries for such month, and statements of profit and loss for each of the Company's regions and a statement of Annualized Cash Flow as at the end of such month, certified in a Company Certificate as prepared in accordance with generally accepted accounting principles consistently applied and as being complete and correct in all material respects, subject to changes resulting from normal year-end audit adjustments;

(d) as soon as practicable after the end of each fiscal year of the Company, and in any event within 120 days thereafter, duplicate copies of all opinions of accountants and outside counsel required by Section 7.2;

(e) promptly upon receipt thereof, one copy of each other report (including the auditors' comment letter to management) submitted to the Company by any certified public accountants in connection with any annual, interim or special audit made by them of the books of the Company;

(f) promptly upon becoming available, one copy of each financial statement, report, notice or other document sent by the Company to other institutional investors in the Company, and of any regular or periodic report and any registration statement or prospectus filed by the Company with any securities exchange or with the Securities and Exchange Commission or any successor agency;

(g) promptly after filing thereof with the Secretary of Labor, the Pension Benefit Guaranty Corporation or the Internal Revenue Service, copies of each annual report which is filed with respect to each Plan for each plan year;

(h) forthwith upon the Company's obtaining knowledge thereof, a Company Certificate containing a written notice of revocation or suspension of any Federal Communications Commission operating authorization or franchise to operate a Cable System held by the Company, together with a description of such license, franchise or authorization, the circumstances surrounding such revocation or, suspension, and the action of the Company proposes to take under the circumstances; and

(i) forthwith upon request, such other data and information as to the Business Condition of the Company or the legal capacity of the Company to perform this Agreement or to pay when due, in accordance with the terms of the Notes, as at any time and from time to time may be reasonably required by any holder of a Note.

Recipients of any financial statements or reports or documents delivered by the Company pursuant to this Section 8.1 may furnish such statements, reports and documents to any regulatory authority having or claiming to have jurisdiction over them and to the National Association of Insurance Commissioners, and to such other Persons as they in their discretion may deem appropriate other than, without the Company's prior consent which shall not be unreasonably withheld, any Person whose business activities involve in a significant degree the investment in, or the ownership of, or the operation of, Cable Systems, and any agent of such Person. The Company agrees to furnish each holder of a Note additional copies of the materials referred to in this Section 8.1 upon its request.

Section 8.2. Company Certificate. Each set of financial statements delivered to each holder of a Note pursuant to Section 8.1(a) or (b) will be accompanied by (1) a statement setting forth the number of Basic Subscribers, and number of Pay Units as of the end of the month or year in question and (2) a Company Certificate stating whether there exists on the date of the certificate, or occurred during said most recent period, any condition or event which constituted or then constitutes, or which after lapse of time would constitute, an Event of Default, and, if any such condition or event existed or then exists, certifying as to the nature and period of existence thereof and the action taken and proposed to be taken with respect thereto. Each set of financial statements delivered to each holder of Notes pursuant to Section 8.1(a) as at the end of the third, sixth and ninth months in each fiscal year of the Company or pursuant to Section 8.1(b) will be accompanied by a Company Certificate certifying as to the information (including relevant detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 7.5, 7.14, 7.15 and 7.16 (and in the case of the Company Certificate accompanying the financial statements delivered pursuant to Section 8.1(b), the requirements of Sections 7.3(b) and 7.11) during the most recent period covered by the statements of operations then being furnished.

Section 8.3. Accountants' Certificate. Each set of financial statements delivered to any holder of a Note pursuant to Section 8.1(b) will be accompanied by a report of a Firm of Certified Public Accountants, to the effect that, in making their examination necessary to express an opinion on such financial statements, such accountants obtained no knowledge of any condition or event which constituted or then constitutes, or which after lapse of time would constitute, an Event of Default of a nature possible to ascertain from the financial statements of the Company or the records, documents and transactions reviewed in connection with their audit, and, if any such condition or event existed or then exists, specifying the nature and period of existence thereof.

Section 8.4. ERISA Notices. The Company will deliver to each holder of a Note, immediately upon the occurrence of any of the following, a copy of any notices or other documents received by the Company with respect thereto, and a written statement of a general partner of the Company describing the event requiring such notice and the action taken and proposed to be taken by the Company with respect thereto: (a) commencement of proceedings to terminate, or to have a trustee appointed to administer, any Plan, (b) a reportable event with respect to any Plan (including termination thereof), (c) receipt by the Company of notice that a Plan that is a multiemployer plan is in reorganization, or (d) a complete withdrawal or partial withdrawal, within the meaning of Section 4203 or 4205, as the case may be, of ERISA, by the Company from any multiemployer plan. As used in this Section 8.4, the term "multiemployer plan" shall have the meaning assigned to it by Section 4001 of ERISA, and the term "reportable event" shall have the meaning assigned to it by Section 4043 of ERISA.

Section 8.5. Inspection. The Company will permit the representatives of each holder of a Note, at such holder's expense (except as set forth below), to visit and inspect any of the properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers (and make copies and take extracts therefrom), and to discuss their respective affairs, finances and accounts with their respective employees, officers and independent public accountants (all of whom are hereby authorized to discuss such affairs, finances and accounts with such representatives), all at such reasonable times and as often as may be reasonably requested. The costs and expenses of the Company's or such Subsidiary's employees, officers, accountants and counsel incurred in connection with any such visit, inspection, examination or discussion, and all costs and expenses incurred by the holders of Notes in connection with any such visits, inspections, examinations and discussions that take place during the existence of an Event of Default, shall be borne by the Company and not by the holders of the Notes.

SECTION 9. Events of Default.

Section 9.1. Nature of Events. Each of the following conditions or events shall constitute an "Event of Default" hereunder (whether or not such condition or event shall be voluntary or involuntary, or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental or public authority or agency):

(a) any payment or prepayment of principal of, or any payment of premium, if any, on, any Note is not made on or before the date such payment or prepayment is due;

(b) any payment of interest on any Note is not made on or before the date such payment is due and such nonpayment continue for 5 days (unless the due date on which such nonpayment occurs represents the fifth due date that any payment of interest on any Note is any made when due, in which event, and thereafter, an Event of Default under this paragraph (b) shall arise if any payment of interest on any Note is not made on or before the date such payment is due);

(c) the Company fails to perform or observe any covenant or condition contained in Section 2.2, or in Section 7;

(d) the Company fails to comply with any other provision of this Agreement or the Notes not referred to in clauses (a), (b) and (c) above, and such failure continues for 30 days after notice thereof has been given to the Company by the holder of any Note;

(e) any representation, warranty or statement by the Company contained in this Agreement or in any certificate, written statement or other document furnished in connection with the negotiation of this Agreement or the sales of the Notes, or otherwise in connection with or pursuant to this Agreement is false or misleading in any respect material to the Business Condition of the Company;

(f) any CATV Franchise or CATV Franchises which produced in the aggregate in excess of 20% of the gross revenues of the Company for the immediately preceding fiscal year, or which accounted in the aggregate for more than 20% of the total basic subscribers of the Company, is or are terminated or suspended, or is or are not renewed at the expiration thereof, or is or are voluntarily or involuntarily sold or otherwise transferred to another Person, except as permitted by Section 7.8 (such aggregates and percentages to be calculated by totaling the aggregates and percentages calculated each time a termination, suspension, non-renewal, voluntary or involuntary sale or other transfer of any such license or franchise occurs);

(g) (i) any default shall occur in any payment when due constituting the final or only installment of the principal (x) in respect of Indebtedness for Money Borrowed or Security of the Company (other than the Notes) and/or a Subsidiary in an aggregate principal amount of $1,000,000 or more, or (y) under any agreement or agreements securing or relating to any of such Indebtedness for Money Borrowed or Security, or (ii) any other event shall occur or any other condition shall exist in respect of Indebtedness for Money Borrowed, which causes, or results in any holder of such Indebtedness for Money Borrowed or any trustee causing, the acceleration of the maturity of such Indebtedness for Money Borrowed or Security;

(h) any default or other event occurs or any condition exists under any lease entered into by the Company which provides for payment of Rentals for and during the unexpired term thereof (including renewal terms, but only if at the sole option of the lessor) in an aggregate amount exceeding $500,000, and the effect of such default, event or condition is to cause the lessor under such lease to terminate such lease or the rights of possession thereunder of the Company or to accelerate the maturity of unaccrued Rentals thereunder;

(i) a final judgment or judgments for the payment of money aggregating in excess of $500,000 is or are outstanding against the Company and any one of such judgments remains undischarged and unstayed for a period of 60 days from the date of its entry;

(j) the Company or any Subsidiary shall (i) be adjudicated, insolvent or bankrupt, or cease, be unable, or admit in writing its inability, to pay its debts as they mature, or make a general assignment for the benefit of, or enter into any composition or arrangement with, creditors or take any corporate action to authorize any of the foregoing; (ii) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its Property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntarily case or other proceeding commenced against it, or take any corporate action to authorize any of the foregoing; (iii) be subject to an involuntary case or other proceeding commenced against it seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or (iv) permit or suffer all or any substantial part of its Property to be sequestered or attached by court order and such order shall remain undismissed for 60 days; or

(k) any event shall occur or any condition shall exist relating to any employee benefit plan which could reasonably be expected to subject the Company or any Subsidiary under ERISA or the Internal Revenue Code of 1986, as amended, or any successor legislation to any tax, penalty or other liabilities which would in the aggregate, have a material effect on the business, assets or liabilities, financial condition, results of operations or business prospects of the Company or of the Company and its Subsidiaries taken as a whole, or on the ability of the Company to perform its obligations hereunder and under the Notes.

Section 9.2. Default Remedies. (i) Upon the occurrence of any Event of Default described in Section 9.1(j) the unpaid principal amount of all Notes, together with the interest accrued thereon shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company or (ii) upon the occurrence of any other Event of Default, the holder or holders of at least 50% of the unpaid principal amount of the Notes at the time outstanding may, by written notice delivered to the Company and, so long as any Senior Debt shall be outstanding under the Bank Credit Agreement, to the Agent (as defined in the Bank Credit Agreement) declare the unpaid principal amount of all Notes to be, and the same shall forthwith become, on a date which is thirty days after the receipt of such notice by the Company and such Agent, due and payable, together with accrued interest thereon, and together with an amount equal to the Make-Whole Amount, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company.

No course of dealing on the part of any holder of a Note or any delay or failure on the part of any holder of a Note to exercise any right shall operate as a waiver of such right or otherwise prejudice such holder's rights, powers and remedies. Without limiting the generality of Section 12.3, if the Company fails to pay when due the principal of or premium, if any, or interest on any Note, or otherwise to comply with this Agreement, the Company will pay the holder of such Note, to the extent permitted by law, such further amount as shall be sufficient to cover the cost and expenses, including but not limited to reasonable attorneys' fees, of collecting any sums due on such Note or otherwise enforcing any of the holder's rights.

If, at any time after the principal of and interest accrued on any Note is declared due and payable, and before a judgment or decree for a payment of the money due has been obtained or an event described in Section 9.1(j) has occurred, (a) the Company has paid (i) all overdue installments of interest on all the Notes, (ii) the principal of and premium, if any, on any Notes which have become due otherwise than by such declaration, and (iii) interest on such overdue principal and premium and (to the extent permitted by applicable law) on any overdue installments of interest at the rate of 12.56% per annum, and (b) all Events of Default, other than nonpayment of amounts which have become due solely by such declaration, have been cured or waived as provided in Section 12.2, such declaration and its consequences shall be deemed annulled and rescinded. No such rescission and annulment shall affect any subsequent declaration or impair any right consequent thereon.

Section 9.3. Notice of Default. If any one or more Events of Default shall occur, or if any one or more events which with lapse of time would become one or more Events of Default shall occur, or if the holder of any Note or of any other evidence of Indebtedness or other security of the Company or the lessor under any lease referred to in Section 9.1(h) or the issuer or grantor of any license or authorization referred to in Section 9.1(f) shall give any notice or take any other action with respect to a claimed default, the Company will forthwith give written notice thereof to all holders of Notes then outstanding describing such Event of Default, event, notice or action and the nature of the Event of Default, event or claimed default, and specifying what action the Company is taking and proposes to take with respect thereto.

SECTION 10. Subordination of the Notes

Section 10.1. General. The Notes and all other obligations of the Company hereunder ("Subordinated Debt") shall be subordinate and junior in right of payment to all Senior Debt (as defined in Section 10.2), to the extent and in the manner provided in this Section 10.

Section 10.2. Senior Debt. As used in this Section 10, the term "Senior Debt" shall mean all principal of and premium, if any, and interest (including, without limitation, any interest accruing subsequent to the commencement of any bankruptcy, insolvency, reorganization or other similar judicial proceeding with respect to the Company whether or not such interest constitutes an allowed claim in such proceeding) on, and all fees and other amounts owing under, (a) the notes issued and outstanding under the Bank Credit Agreement and (b) all other indebtedness of the Company in respect of borrowed money unless, under the instrument evidencing the same or under which the same is outstanding, it is expressly provided that such indebtedness is junior and subordinate to other indebtedness and obligations of the Company. The Senior Debt shall continue to be Senior Debt and entitled to the benefits of these subordination provisions irrespective of any amendment, modification or waiver of any term of the Senior Debt or extension or renewal of the Senior Debt.

Section 10.3. Default in Respect of Senior Debt. (a) In the event the Company shall default in the payment of any principal of, or premium, if any, or interest on any Senior Debt when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise, then, unless and until such default shall have been remedied or waived in writing or shall have ceased to exist, no direct or indirect payment (in cash, property or securities or by set-off or otherwise) shall be made or agreed to be made on account of the Subordinated Debt, or as a sinking fund for

Subordinated Debt, or in respect of any redemption, retirement, purchase or other acquisition of any Subordinated Debt.

(b) Upon the happening of an event of default or any event or condition which with the passage of time or notice or both would constitute an event of default with respect to any Senior Debt, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof (other than under circumstances when the terms of Section 10.3(a) are applicable), then, unless and until such event of default shall have been remedied or waived in writing or shall have ceased to exist (unless, prior thereto, a proceeding of the type referred to in Section 10.3(b)(ii) shall have been commenced), no direct or indirect payment (in cash, property or securities or by setoff or otherwise) shall be made or agreed to be made on account of the Subordinated Debt, or as a sinking fund for the Subordinated Debt, or in respect of any redemption, retirement, purchase or other acquisition of any Subordinated Debt, during any period

(i) if 120 days after written notice of such default or such event or condition shall have been given to the Company by any holder of Senior Debt, provided that only two notices shall be given pursuant to the terms of this Section 10.3(b)(i) in any 12 consecutive calendar months on behalf of any class of Senior Debt; or

(ii) in which any judicial proceeding shall be pending in respect of such default and a notice of acceleration of the maturity of such Senior Debt shall have been transmitted to the Company in respect of such default.

Section 10.4. Insolvency, etc. In the event of

(i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Company, its creditors as such or its property,

(ii) any proceeding for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings,

(iii) any assignment by the Company for the benefit of creditors, or

(iv) any other marshaling of the assets of the Company.

all Senior Debt shall first be paid in full in money or money's worth before any payment or distribution, whether in cash, securities or other property, shall be made to any holder of Subordinated Debt on account of any Subordinated Debt. Any payment or distribution, whether in cash, securities or other property (other than securities of the Company or any other corporation (if such corporation assumes all Senior Debt at the time outstanding) provided for by a plan or reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Section 10 with respect to the Subordinated Debt, to the payment of all Senior Debt at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for these subordination provisions) be payable or deliverable in respect of Subordinated Debt shall be paid or delivered directly to the holders of Senior Debt in accordance with priorities then existing among such holders until all Senior Debt shall have been paid in full in money or money's worth.

Section 10.5. Payment and Distributions Received. If any payment or distribution of any character or any security, whether in cash, securities or other property (other than securities of the Company or any other corporation (if such corporation assumes all Senior Debt at the time outstanding) provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Section 10 with respect to Subordinated Debt, to the payment of Senior Debt at the time outstanding and to any securities issued in respect thereof under any plan of reorganization or readjustment), shall be received by any holder of any Subordinated Debt in contravention of any of the terms hereof and before all the Senior Debt shall have been paid in full in money or money's worth, such payment or distribution or security shall be received in trust for the benefit of, and shall be paid or delivered and transferred to, the holders of the Senior Debt at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all such Senior Debt in full. In the event of failure of any holder of any Subordinated Debt to endorse or assign any such payment, distribution or security, each holder of Senior Debt is hereby irrevocably authorized to endorse or assign the same.

Section 10.6. No Prejudice or Impairment. No present or future holder of any Senior Debt shall be prejudiced in the right to enforce subordination of the Subordinated Debt by any act or failure to act on the part of the Company or the holders of Subordinated Debt. Nothing contained herein shall impair, as between the Company and the holder of any Subordinated Debt, the obligation of the Company to pay to the holder thereof the principal thereof and interest thereon as and when the same shall become due and payable in accordance with the terms thereof, or prevent the holder of any Subordinated Debt from exercising all rights, powers and remedies otherwise permitted by applicable law or hereunder upon a default or Event of Default hereunder, all subject to the rights of the holders of the Senior Debt to receive cash, securities or other property otherwise payable or deliverable to the holders of Subordinated Debt.

Section 10.7. Payment of Senior Debt, Subrogation, etc. Upon the payment in full in money or money's worth of all Senior Debt, the holders of Subordinated Debt shall be subrogated to all rights of any holders of Senior Debt to receive any further payments or distributions applicable to the Senior Debt until the Subordinated Debt shall have been paid in full, and, for the purposes of such subrogation, no payment or distribution received by the holders of Senior Debt of cash, securities, or other property to which the holders of Subordinated Debt would have been entitled except for this Section 10 shall, as between the Company and its creditors other than the holders of Senior Debt, on the one hand, and the holders of Subordinated Debt, on the other, be deemed to be a payment or distribution by the Company on account of Senior Debt.

SECTION 11. Interpretation of Agreement and Notes.

Section 11.1. Definitions. For all purposes of this Agreement and the Notes, the following definitions shall apply unless the context shall otherwise require:

"Affiliate" means a Person (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, or (b) which beneficially owns or holds 5% or more of equity interests in any general partner or in any Person controlling a general partner, or (c) 5% or more of any partnership interest or class of voting securities of which is beneficially owned or held of record by the Company, the general partners or any Person who controls any of the general partners. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Note Purchase Agreement (including the annexed Schedules and Exhibits), as originally accepted by you, and as it may from time to time hereafter be amended, supplemented or modified, or its terms waived, in accordance with its terms.

"Annualized Cash Flow" means the Consolidated Cash Flow of the Company and its Subsidiaries for the most recent three month period for which statements have been supplied pursuant to Section 8.1(c) times four.

"Bank Credit Agreement" means the Amended and Restated Revolving Credit and Term Loan Agreement dated as of November 12, 1991, among the Company, the banks signatory thereto as lenders and The Toronto-Dominion Bank Trust Company, as agent, as further amended, supplemented or otherwise modified from time to time, including any amendment, supplement, or modification to effect the refunding or refinancing of the indebtedness outstanding thereunder.

"Board of Directors" means, with respect to any corporation, the board of directors or other governing body thereof.

"Business Day" means any day on which the Banks are open to the public for the transaction of their normal banking business in New York, San Francisco, and Chicago.

"Business Condition" means, with respect to any Person, such Person's business, operations, properties, earnings, reasonably foreseeable prospects, or financial condition.

"Cable Business" means the business of owning and operating a Cable System or Systems.

"Cable System" means all related licenses, franchises and permits issued under federal, state or local laws from time to time which authorize a Person to receive or distribute, or both, by cable, satellite or other technology, audio and visual signals within a geographical area for the purpose of providing entertainment or other services, together with all agreements with public utilities and microwave transmission companies, pole attachment, use, access or rental agreements, utility easements and all other Property owned or used in connection with the entertainment and services provided pursuant to, said licenses, franchises and permits.

"Cash Flow" shall mean the sum of the (i) net income (other than gains and losses and the taxes associated therewith arising from sales of Cable Systems), plus (ii) the amount of interest expense, non-cash charges in respect of depreciation, amortization, and deferred taxes, other non-cash charges and management fees.

"CATV Franchise" means a franchise or other license issued by a Governmental Body which grants to the Company permission to operate a Cable System within a particular geographic area.

"Closing Date" has the meaning set forth in Section 1.3.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder, as from time to time in effect.

"Communications Act" means the Communications Act of 1934, as amended, and the rules and regulations thereunder, as from time to time in effect.

"Company" has the meaning set forth in the first paragraph of this instrument.

"Company Certificate" means a certificate executed and delivered on behalf of the Company by one of the general partners of the Company or, if there be a chief operating officer or chief financial officer of the Company, by such chief operating officer or chief financial officer.

"Consolidated" means the Company and its Subsidiaries taken as a whole.

"Consolidating" means the Company and its Subsidiaries taken separately.

"Contractual Obligations" means any obligation, covenant or condition contained in any evidence of Indebtedness or any agreement or instrument under or pursuant to which such evidence of Indebtedness has been issued or created, or any other agreement or instrument to which the Company is a party or by which the Company or any of its properties or assets are bound.

"Current Liabilities" means (i) all Indebtedness payable on demand or maturing within one year from the date such Indebtedness is incurred and which is not renewable or extendable at the option of the debtor to a date more than one year from the date such indebtedness is incurred and (ii) all other items (including taxes accrued as estimated) which in accordance with Generally Accepted Accounting Principles are included as current liabilities; provided that Current Liabilities shall not include (x) any serial maturities, mandatory prepayments or sinking fund payments in respect of Indebtedness which has a final maturity more than one year from the date such Indebtedness is incurred or is renewable or extendable at the option of the debtor to a date more than one year from the date such Indebtedness is incurred or (y) payments received from subscribers as deposits or prepayments of charges for service in advance of such service being fully rendered.

"Debt Service" means, in respect of any period, all payments of interest and fees on Funded Debt which are payable in cash or in Indebtedness of the Company constituting Senior Debt and which, whether or not paid during such period, have accrued during such period. Where any item of interest varies or depends upon a floating rate of interest, such rate, for purposes of calculating Debt Service, shall be computed on the basis of the interest rate in effect at the time of determination of Debt Service.

"Deferred Interest" has the meaning set forth in Section 1.2.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations issued thereunder, as from time to time in effect.

"Event of Default" means one of the Events of Default enumerated in Section 9.1.

"Firm of Certified Public Accountants" means BDO Seidman or any one of Ernst & Young, Coopers & Lybrand, Arthur Anderson & Co., Deloitte & Touche, KPMG Peat Marwick or Price, Waterhouse & Co. (and any other firm of certified public accountants of nationally recognized stature and responsibility which is satisfactory to the holders of 66 2/3% in aggregate unpaid principal amount of the Notes outstanding), if and so long as any such firm is independent with respect to the Person or Persons whose financial statements are being examined by it in accordance with the Agreement.

"Funded Debt" means with respect to any Person (i) all Indebtedness for Money Borrowed of such Person as reflected on a balance sheet of such Person, but including, whether or not reflected on such balance sheet, the full amount of potential reimbursement obligations with respect to letters of credit and purchase money notes payable to sellers of Cable Systems, which matures one year or more from the date of the creation thereof or is directly or indirectly renewable or extendable, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, or arises under a revolving credit or similar agreement obligating the lender or lenders thereunder to extend credit over a period of one year or more, and excluding, however characterized, Indebtedness in respect of utility bonds, franchise agreement bonds and pole agreement bonds and in respect of deferred revenue from initial installments in customer premises in excess of the direct selling costs of such installations, plus (ii) all guarantees, to the extent not otherwise included in (i) above, of the Indebtedness of other Persons of the type which, if a primary obligation of the first named Person, would be included within Funded Debt of such first named Person under (i) above. Guarantees are to be included in the calculation of Funded Debt as though the Person thereby secondarily obligated was obligated to perform under the payments schedule of the underlying Indebtedness.

"General Partner" means Falcon Telecable Investors Group, a California limited partnership or any successor thereto as a general partner of the Company or any additions as a general partner of the Company, in each case as are, or as are required to be, named as a general partner of the Company in its Certificate of Limited Partnership, as amended.

"Generally Accepted Accounting Principles" means generally accepted accounting principles as from time to time in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board and in the Statement of Position of the American Institute of Certified Public Accountants entitled "Accounting for Cable Television Companies," consistently applied.

"Governmental Body" means any court or any federal, state, municipal or other department, commission, board, bureau, agency, public authority, instrumentality or any arbitrator.

"Indebtedness" means all items (other than partners' equity and deferred credits arising from acquisition of any Subsidiary and all items in respect of minority interests in Subsidiaries), which in accordance with Generally Accepted Accounting Principles would be included in determining total liabilities as shown on the liability side of a balance sheet as at the date on which Indebtedness is to be determined. Indebtedness shall also include, whether or not so reflected, (i) indebtedness, obligations, and liabilities secured by any mortgage, pledge or lien existing on property owned subject to such mortgage, pledge or lien whether or not the indebtedness secured thereby shall have been assumed and (ii) all contingent liabilities.

"Indebtedness for Money Borrowed" means any Indebtedness (a) for borrowed money or (b) evidenced by a promissory note, debenture conditional sale agreement or other like written obligation to pay money, or (c) in respect of the net aggregate rentals under any lease which under Generally Accepted Accounting Principles would be required to be capitalized or (d) guaranties of any of the aforesaid types of Indebtedness of other Persons.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future, interest rate option, interest rate swap, interest rate cap or other interest rate hedge arrangement, to or under which the Company or any of its Subsidiaries is a party or a beneficiary.

"Investment" has the meaning set forth in Section 7.12.

"Lien" means any mortgage, pledge, assignment, lien, charge, encumbrance or security interest of any kind or the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Make-Whole Amount" means with respect to any prepayment or payment of the Notes as to which a Make-Whole Amount is payable, the excess of (i) the present value, discounted semi-annually at the Discount Rate, of the required principal prepayments, if any, of such Notes thereafter required to be made under Section 2.1, the payments at stated final maturity and remaining scheduled interest payments on and in respect of such Notes from the respective dates on which such principal payments and prepayments and interest payments are payable, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months, over (ii) the principal amount of such Notes being prepaid. "Discount Rate" means an interest rate computed in accordance with generally accepted accounting principles equal to the applicable Treasury Yield; the "applicable Treasury Yield" shall be determined by reference to the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days prior to the date fixed for the payment of Notes in question (or, if such Statistical Release is no longer published, any publicly available source of similar market data), and shall be the most recent weekly average yield on actively traded U.S. Treasury securities adjusted to a constant maturity equal to the then remaining Weighted Average Life to Maturity of the Notes of the respective series being paid pursuant to Section 2.1, 2.2, or 9.2 (the "Remaining Life"); provided that if the Remaining Life of the Notes being prepaid pursuant to this Section is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the applicable Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yield of U.S. Treasury securities for which such yields are given.

"Mutual" has the meaning set forth in Section 1.3.

"MONY America" has the meaning set forth in Section 1.3.

"Notes" has the meaning set forth in Section 1.1.

"Partnership Agreement" means the Second Amended and Restated Agreement of Limited Partnership entered into as of October 1991 by and among Falcon Telecable Investors Group, a California limited partnership, as General Partner, and the limited partners signatory thereto.

"Person" means any individual, firm, partnership, joint venture, corporation, association, business enterprise, trust, Governmental Body or other entity, whether acting in an individual, fiduciary, or other capacity.

"Plan" has the meaning set forth in Section 4.8(b).

"Pro Forma Adjustments" means, with respect to any calculation of Annualized Cash Flow, the inclusion or exclusion from the Consolidated Cash Flow of the Company and its Subsidiaries of the Cash Flow of any Person or Cable System acquired or disposed of within such proximity to the date of calculation that the Cash Flow of such Person or Cable System is not otherwise included or excluded, as the case may be, in the three most recent monthly statements delivered pursuant to Section 8.1(a). In the case of any acquisition, the Cash Flow of such acquired Person or Cable System to be included in the Consolidated Cash Flow of the Company and its Subsidiaries shall be calculated as follows: (a) it shall be based upon the most recent three months for which financial statements for such Person or Cable System have been or are available; (b) it shall be increased by the additional Cash Flow that would have been derived during the most recent three months for which financial statements for such Person or Cable System are available had there been in effect for those three months any rate increases that are documented and that are to be implemented upon the acquisition; (c) it shall exclude overhead expenses of such Person or Cable System for such period reasonably demonstrated to the holders of the Notes to be duplicative in light of such acquisition and exclude Cash Flow from any Cable System disposed of for the relevant period before its disposition; and (d) it shall then be reduced by one-third for each month for which the Cash Flow of such Person or Cable System is otherwise included in the monthly statements delivered pursuant to Section 8.1(a). In the case of a disposition, the Cash Flow of the Person or Cable System disposed of, to the extent Cash Flow of such Person or Cable System is included in the consolidated Cash Flow of the Company and its Subsidiaries for the relevant period, shall be deducted from the consolidated Cash Flow of the Company and its Subsidiaries.

"Pro Forma Debt Service" means the largest sum of the Debt Service required to be made for the twelve months following the month in which any calculation is made.

"Property" means all types of real, personal, tangible, intangible or mixed property.

"Requirements of Law" means any term, condition or provision of any law, or of any rule, regulation, order, writ, injunction or decree of any court or other governmental or public authority or agency, domestic or foreign, or of any decision or ruling of any arbitrator, or of the partnership agreement of the Company.

"Restricted Payments" has the meaning set forth in Section 7.7.

"Security" means any stock, treasury stock, note, bond, debenture, evidence of Indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, reorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights or, in general, any interest or instrument commonly known as a "security" or any certificate of interest or participation in, temporary or interim certificate for, receipt for, Guaranty of, or warrant or right to subscribe to or purchase, any of the foregoing.

"Senior Debt" has the meaning set forth in Section 10.2.

"Subsidiary" means any corporation, association, partnership, joint venture or other business entity of which the Company and/or any subsidiary of the Company either (a) in respect of a corporation, owns more than 50% of the outstanding stock having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether or not at the time the stock of any class or classes shall or might have voting power by reason of the happening of any contingency, or (b) in respect of an association, partnership, joint venture or other business entity, is the general partner or is entitled to share in more than 50% of the profits, however determined.

Section 11.2. Accounting Terms. All accounting terms herein which are not expressly defined herein shall have the meanings respectively given to them in accordance with generally accepted accounting principles in effect at the time of application of such accounting terms for the purposes of this Agreement.

Section 11.3. New York Law. The Agreement and the Notes issued hereunder shall be governed by and construed in accordance with the laws of the State of New York.

Section 11.4. Table of Contents and Headings. The table of contents and the headings of the Sections and subsections of this Agreement are intended for convenience of reference only and not to constitute a part hereof or otherwise to be indicative of the scope of content of the Sections or subsections of this Agreement.

Section 11.5. Survival of Representations and Warranties. All covenants, agreements, representations and warranties made herein or in certificates, written statements or other documents furnished by or on behalf of the Company or any Affiliates to you in connection with the negotiation of this Agreement or the sales of the Notes, or otherwise in connection with or pursuant to this Agreement, shall be considered to have been relied upon by you and shall survive the issuance and delivery of Notes to you and the payment therefor, regardless of any investigation made by you or on your behalf. All statements in such certificates, written statements or other documents shall constitute representations and warranties of the Company hereunder.

Section 11.6. Successors and Assigns. All covenants, agreements, representations and warranties made by the Company herein shall, whether so expressed or not, bind the successors and assigns of the Company and inure to the benefit of your successors and assigns. All provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Notes issued pursuant hereto, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement shall have been made by you or any of your successors or assigns.

Section 11.7. Independence of Covenants. Each covenant made by the Company herein is independent of each other covenant so made. The fact that the operation of any such covenant permits a particular action or condition to be taken or to exist does not mean that such action or condition is not prohibited, restricted or conditioned by the operation of the provisions of any other covenant herein. Any illegality or unenforceability of any provision of this Agreement or of the Notes shall not affect or impair the legality or enforceability of the remaining provisions of this Agreement or of the Notes.

SECTION 12. Miscellaneous.

Section 12.1. Communications. Whether or not expressly so stated in any provisions of this Agreement, but subject to Section 3.4, all notices, demands, or other communications provided for under this Agreement or under the Notes shall be in writing and shall be deemed to have been given or made upon actual delivery to, or, when mailed by registered or certified mail, postage prepaid, upon the earlier of receipt at or the third day after the date of mailing to:

(a) (if to any of the Purchasers) the applicable address for notices set forth in Schedule I, as such address may be changed from time to time by written notice to the Company.

(b) (if to the Company) to the Company, at 474 South Raymond Avenue, Suite 200, Pasadena, CA 91105, Attention: Michael Menerey, or to such other address as the Company as such from time to time in accordance with Section 7.1 shall have given written notice to the holders of the Notes; or

(c) (if to any holder of a Note) the address of such holder as its appears on the registration books maintained as provided in Section 3.1 (which address, in the case of a Purchaser, shall be initially the applicable address for notices specified in Schedule I), as such address may be changed by such holder from time to time by written notice to the Company.

Section 12.2. Amendment and Waiver. (a) No term, covenant agreement or condition of this Agreement may be amended, supplemented or modified, or compliance therewith waived (either generally or in a particular instance and either retroactively or prospectively), except pursuant to one or more written instruments signed by the holders of not less than 66 2/3% in aggregate unpaid principal amount of the Notes at the time outstanding and delivered to the Company; provided, however, that no such amendment, supplement, modification or waiver shall, without the consent in writing of the holders of all of the Notes at the time outstanding, subordinate or change the amount of, or extend the date of final maturity of, the principal of any of the Notes, or change the amount of, or the time for the making of, any prepayment of principal of any of the Notes, or reduce or extend the time of payment of interest on any of the Notes, or reduce the amount of any premium payable upon any prepayment or payment of the Notes, or change the percentage of holders of Notes required to approve any such amendment, supplement or modification or to effectuate any such waiver. Any amendment, supplement, modification or waiver pursuant to this Section 11.2 shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company.

(b) The Company will give prompt notice to all holders of the Notes of the effectiveness of any amendment, supplement, modification or waiver entered into in accordance with the provisions of this Section 12.2. Such notice shall state the terms of any such amendment, supplement, modification or waiver and shall be accompanied by at least two conformed copies (which may be composite conformed copies) of each written instrument which embodies such amendment, supplement, modification or waiver.

Section 12.3. Expenses. Whether or not the transactions contemplated by this Agreement shall be consummated, the Company will (a) pay a loan documentation and processing fee of $9,500 by check to The Mutual Life Insurance Company of New York; (b) pay all other expenses incident to such transactions and all reasonable expenses of all holders of Notes incident to any amendment, supplement, modification or waiver of the terms or provisions of this Agreement, or of the Notes, and to any such amendment, supplement, modification or waiver proposed or initiated by the Company, whether or not effected, including in each case, but not limited to, your or such holders' out-of-pocket expenses, the cost of delivery of your or such holders' Notes (and insurance with respect to such delivery) to your or such holders' home office or offices or the office or offices of your or such holders' nominee or nominees, and the fees and disbursements of your or such holders' special counsel, if any, and any local counsel whom they may deem it advisable to retain or cause to be retained; (c) (without limiting the generality of clause (b) above) pay all reproduction costs in connection therewith or in connection with any amendment, supplement, modification or waiver or any such proposed amendment, supplement, modification or waiver; (d) pay any and all taxes in connection with the issuance, sale and delivery of the Notes and in connection with any amendment, supplement, modification or waiver of this Agreement or the Notes and save the Purchasers and any subsequent holders of the Notes harmless without limitation as to time against any and all liabilities (including any interest or penalty for non-payment or delay in payment) with respect to all such taxes (other than transfer taxes on a transfer of Notes); and (e) pay all expenses (including counsel fees and disbursements) incurred in connection with the enforcement of this Agreement or the Notes (including restructuring of the terms hereof in the nature of a "work-out". The obligations of the Company under this Section 12.3, and any and all other obligations of the Company under this Agreement for expenses and costs, shall survive the payment of prepayment of the Notes and the termination of the Agreement.

Section 12.4. Limited Recourse Against the Partners. (a) The remedies of the holders of the Notes, including without limitation any remedy which could be exercised upon the occurrence of an Event of Default, shall be limited to the extent that no Excluded Person shall have any personal liability as a general partner or limited partner of the Company with respect to the Notes or this Agreement, and in no event shall any Excluded Person be personally liable as a general partner or limited partner for any deficiency judgment in respect of any Note; provided, however, that the provisions of this

Section 12.4 shall not impair the ability of the holder of any Note (i) from proceeding against the Company, (ii) from realizing on the assets of the Company or (iii) proceeding against any General Partner with respect to actions such General Partner caused the Company to take involving the Company's obligations under this Agreement which would constitute fraud, gross negligence or willful misconduct by such General Partner.

(b) The Purchasers, and each future holder of Notes by its acceptance of a Note issued pursuant hereto, acknowledge and agree that Excluded Persons are express third party beneficiaries of this Section 12.4, and that the provisions hereof may be enforced by any Excluded Persons directly against any holder from time to time of the Notes. For purposes of this Section 12.4, the term "Excluded Person" means, at any time, (i) each current or former general or limited partner of the Partnership, (ii) each current or former general or limited partner of any Person referred to in clause (i) above, and (iii) each partner, director, trustee or other fiduciary, officer, employee, stockholder or controlling Person of any Person referred to in clause (i) or (ii) above.

Section 12.5. Legal Holidays. Whenever any payment hereunder or under any of the Notes shall be due on a day on which banking institutions at the place for such payment are authorized or obligated by law to close (a "legal holiday"), such payment shall become due on the next succeeding day which is not a legal holiday.

If the foregoing is satisfactory to you, will you please sign the form of acceptance on the enclosed counterparts of this instrument and forward the same to the undersigned, whereupon this instrument will become a binding agreement between us.

Very truly yours,

FALCON TELECABLE, A CALIFORNIA LIMITED PARTNERSHIP

By: Falcon Telecable Investors Group, a California Limited Partnership, Its General Partner

By: Falcon Holding Group, Inc., a California Corporation, Its General Partner

By: /s/ Stanley S. Ifskowitch

The foregoing instrument is hereby accepted as of the date first above written

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

By: /s/ Peter W. Oliver
Peter W. Oliver
Managing Director

MONY LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Peter W. Oliver
Peter W. Oliver
Authorized Agent

Exhibit 10.18(b)

# FIRST AMENDMENT TO NOTE PURCHASE AND EXCHANGE AGREEMENT

This FIRST AMENDMENT (this "First Amendment") is made as of this 29th day of March 1993, between Falcon Telecable, a California limited partnership (the "Company") and The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America (the "Purchasers").

WHEREAS, by a Note Purchase and Exchange Agreement dated as of October 21, 1991 (the "Agreement"), between the Company and The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America, the Company issued its 11.56% Series A Subordinated Notes due March 31, 2001 and its 11.56% Series B Subordinated Notes due March 31, 2001 (collectively, the "Notes"); and

WHEREAS, the Purchasers are the holders of the entire outstanding principal amount of the Notes; and

WHEREAS, the Company and the Purchasers wish to amend the Agreement and the outstanding Notes as set forth below;

NOW, THEREFORE, in consideration of the mutual covenants set out herein, the parties hereto agree as follows:

1. Exhibits A and B and all outstanding Notes are amended to provide that the interest rate set forth in the penultimate sentence of the first paragraph thereof is amended to be thirteen and fifty-six one hundredths percent (13.56%) per annum.

2. Section 7 is amended by adding the following as Section 7.19:

> 7.19 Compliance with Bank Credit Agreement. The Company shall comply, and shall cause the Restricted Companies to comply, with each of the covenants contained in Section 8 of the Bank Credit Agreement (other than Sections 8.5.2 and 8.15) as in effect on the Amendment Closing Date (except as such covenants may be amended pursuant to section 7.20 below, other than those set forth in the immediately following paragraph), a copy of which is attached hereto as Exhibit E. All references therein to

Lenders, Managing Agents and similar Persons shall be deemed, for purposes of this Agreement, to be the holders of the Notes.

For purposes of this Agreement, the incorporated provisions of Sections 8.5.1, 8.5.3 and 8.5.4 of the Bank Credit Agreement (as defined in Section 8 below) are amended to read as follows and shall not be subject to amendment or modification without the consent of the holders of the Notes:

Consolidated Total Debt to Consolidated Annualized Cash Flow. Consolidated Total Debt shall not on any date exceed the percentage indicated in the table below of Consolidated Annualized Cash Flow for the period of three consecutive months then most recently ended for which financial statements have been (or are required to have been) furnished in accordance with Section 8:

| Date | Percentage |
|---|---|
| Prior to January 1, 1994 | 675% |
| January 1, 1994 through June 30, 1994 | 650% |
| July 1, 1994 through December 31, 1994 | 625% |
| January 1, 1995 through June 30, 1995 | 600% |
| July 1, 1995 through December 31, 1995 | 575% |
| January 1, 1996 through June 30, 1996 | 525% |
| July 1, 1996 through December 31, 1996 | 500% |
| January 1, 1997 and thereafter | 450% |

Consolidated Annualized Cash Flow to Consolidated Pro Forma Debt Service. As of the last day of each month, Consolidated Annualized Cash Flow for the period of three consecutive months ended on such date shall exceed the following percentage of Consolidated Pro Form Debt Service for the period of twelve consecutive months beginning immediately after such date: (a) prior to July 1, 1998, 115% and (b) July 1, 1998 and thereafter, 105%.

Consolidated Cash Flow Plus Cash and Cash Equivalents to Consolidated Fixed Charges. As of the last day of each month commencing March 31, 1994, the sum of (a) Consolidated Cash Flow for the period of 12 consecutive months ended on such date plus (b) the lesser of (i) cash and Cash Equivalents owned by the Restricted Companies as of such date determined in accordance with GAAP on a Consolidated basis or (ii) $1,000,000 shall exceed 100% of Consolidated Fixed Charges for such period.

3. Section 7 of the Agreement (other than Sections 7.18, 7.19, 7.20 and 7.21) is deleted, without affecting the numbering of any other Sections.

4. Section 7 of the Agreement is amended by adding the following as Sections 7.20 and 7.21:

7.20 Amendments to Bank Credit Agreement and Bank Pledge Agreement. The Company shall not enter into or consent to any amendment or waiver of the terms of the Bank Credit Agreement, the Bank Obligations or the Bank Pledge Agreement which would materially interfere with the ability of the Company to pay the principal, interest and premium on the Notes when due and payable.

7.21 Execution of Guaranty and Subordination Agreements. In the event that any Person shall become obligated as a borrower or guarantor in respect of any of the Bank Obligations after the Amendment Closing Date, the Company shall cause such Person to execute and deliver to the holders of the Notes (a) a guaranty of the obligations under the Subordinated Notes and this Agreement, in substantially the form of the Guaranty Agreement; and (b) a subordination agreement substantially in the form of the Subordination Agreement.

5. Section 9 of the Agreement is amended as follows:

(a) Section 9.1(a) is amended to read as follows:

(a) any payment or prepayment of principal of, or any payment of premium, if any, on any Note, or any payment due under Section 12.8, is not made on or before the date such payment or prepayment is due;

(b) Section 9.1(c) is amended to read as follows:

(c) the Company fails to perform or observe any covenant or condition contained in Section 2.2, Section 7.20, Section 7.21, or, to the extent resulting from a failure to comply with Section 8.5 through Section 8.12, inclusive, Section 8.14, Section 8.15 or Section 8.17 of the Bank Credit Agreement (as and to the extent modified and incorporated herein);

(c) Section 9.1(d) is amended to read as follows:

(d) (i) the Company fails to comply with any other provision of this Agreement or the Notes, or if a default or Event of Default occurs under the Guaranty Agreement or the Subordination Agreement, in each case not constituting an Event of Default under clauses (a), (b) or (c) above, and such failure, default or Event of Default continues for 30 days after notice thereof has been given to the Company by the holder of any Note or (ii) the Guaranty Agreement is terminated or revoked or becomes or is declared invalid, in whole or part, with respect to any Guarantor;

(d) Sections 9.1(f), (h) and (i) are deleted and Sections 10.1.5, 10.1.6, 10.1.8 and 10.1.9 of the Bank Credit Agreement are incorporated into Section 9 of the

Agreement by reference; such provisions are subject to amendment or modification only with the consent of the holders of the Notes.

6. Section 10 of the agreement is amended as follows:

(a) Section 10.2(a) is amended to read "(a) the Bank Credit Agreement and interest rate protection agreements..."

(b) The following is added as Section 10.3(c):

(c) Upon the happening of an event of default, or any event or condition which with the passage of time or notice or both would constitute an event of default, with respect to any Senior Debt, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof, then, unless and until such event of default shall have been remedied or waived in writing or shall cease to exist, no holder of any Subordinated Debt shall accelerate such Subordinated Debt or exercise any judicial or non-judicial remedy with respect to such Subordinated Debt for a period of 120 days after receipt of written notice of such event of default from a holder of any class of Senior Debt, provided that only two such notices shall be given pursuant to the terms of this Section 10.3(c) in any twelve consecutive calendar months by the holders of any class of Senior Debt and provided, further, that the limitations set forth in this Section 10.3(c) shall not extend for more than 180 days during any twelve consecutive calendar months. The limitations set forth in this Section 10.3(c) shall not be applicable (i) during any period after the Senior Debt shall have been accelerated or (ii) if Section 10.4 hereof shall then be applicable.

7. Section 10.6 of the Agreement is amended by adding the following: "The provisions of this Section 10.6 are subject to the provisions of Section 10.3 hereof."

8. Section 11.1 of the Agreement is amended by incorporating by reference each of the definitions set forth in Section 1 of the Bank Credit Agreement (as defined in this Section 11 below) as in effect on the Amendment Closing Date (as defined in this Section

11 below) (except as such definitions are amended pursuant to Section 7.20 of the Agreement) to the extent such definitions are referred to in, or are necessary to construe or further define, the provisions and terms of the Bank Credit Agreement incorporated herein, provided, that, all references therein to Lenders, Administrative Agent, Co-Agents, Documentation Agent or similar Persons shall be deemed, for purposes of this Agreement, to be the holders of Notes. To the extent that any definition so incorporated by reference from the Bank Credit Agreement shall conflict with, or be inconsistent with, any existing definition in the Agreement, the definition so incorporated by reference shall prevail. In addition, the following are added or substituted for existing definitions:

"Bank Credit Agreement" means the Credit Agreement dated as of March 17, 1993 among the Company and other borrowers and guarantors thereunder, the banks signatory thereto as lenders and The First National Bank of Boston and The First National Bank of Chicago, as managing agents, a copy of which is attached hereto as Exhibit E, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to effect the refunding or refinancing of the indebtedness outstanding thereunder.

"Bank Pledge Agreement" means the Pledge and Subordination Agreement dated as of March 29, 1993 among Holding, L.P., Holding, Inc., the Guarantors and The First National Bank of Boston, as documentation agent, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to reflect the refunding or refinancing of the indebtedness outstanding under the Bank Credit Agreement.

"Amendment Closing Date" means the date described in Section 10 of the First Amendment.

"Guarantors" means each of the Company, Falcon Cable Media, a California limited partnership, Falcon Media Investors Group, L.P., Falcon Community Cable, L.P., Falcon Community Ventures I Limited Partnership, Falcon Investors Group, Ltd, a California limited partnership, Falcon Telecable Investors Group, a California limited partnership, Falcon Cablevision, a California limited partnership, and Falcon Community Investors, L.P.

"Guaranty Agreement" means the Guaranty Agreement dated as of March 29, 1993, among each of the Guarantors and the Purchasers.

"First Amendment" means that certain First Amendment to Note Purchase and Exchange Agreement dated as of March 29, 1993 between the Company and the Purchasers.

"Subordination Agreement" means the Subordination Agreement dated as of March 29, 1993 among Holding, L.P., Holding, Inc., the Guarantors and the Purchasers.

"Cablevision Subordinated Notes" means any 12-5/8% Subordinated Notes due December 31, 1995 and/or 12% Subordinated Notes due December 31, 1995 issued by Falcon Cablevision, a California Limited Partnership, pursuant to that certain Note Purchase and Exchange Agreement, dated as of September 15, 1988, with the Purchasers.

There is hereby added to the Agreement a new Exhibit E which shall be in the form of Exhibit A to this First Amendment. The Bank Credit Agreement is set forth in Exhibit A to this First Amendment.

9. The Agreement is amended by adding the following as Section 12.6:

Section 12.6 Increased Capital Adequacy Compensation. If any holder of Notes shall have determined that on or after the Amendment Closing Date an Insurance Regulatory Triggering Event shall have occurred and, as a consequence thereof, Applicable Insurance Regulations would require such holder to

(a) increase its contribution to any then applicable asset valuation reserve maintained by such holder in respect of the Notes over what such holder would have otherwise been required by Applicable Insurance Regulations to contribute to such reserve if such Insurance Regulatory Triggering Event shall not have occurred (any such incremental increase in such contribution with respect to an Insurance Regulatory Triggering Event is herein referred to as an "Incremental AVR Contribution Increase"),

(b) increase the contribution imputed by Applicable Insurance Regulations of such Notes to the risk based capital of such holder over what such contribution would have otherwise been imputed under Applicable Insurance Regulations (any such incremental increase in such imputed contribution with respect to an Insurance Regulatory Triggering Event is herein referred to as an "Incremental RBC Contribution Increase"), and/or

(c) suffer the imposition of an increase in any other capital maintenance, capital ratio or similar requirement under Applicable Insurance Regulations in respect of the Notes, as an investment of such holder (any such increase with respect to an Insurance Regulatory Triggering Event is herein referred to as an "Incremental Capital Imposition") (with respect to any Insurance Regulatory Triggering Event, the Incremental AVR Contribution Increase, the Incremental RBC Contribution Increase and the Incremental Capital Imposition in respect thereof are herein referred to, in the aggregate, as the "Incremental Capital Adequacy Increase"),

the Company shall, upon receipt (from time to time) of a written demand from such holder, promptly pay to such holder compensation in an amount, determined by such holder in good faith for each Insurance Regulatory Triggering Event occurring after the Amendment Closing Date and still subsisting at the time of such demand, equal to the Incremental Capital Adequacy Increase in respect of such Insurance Regulatory Triggering Event.

In determining such compensation, such holder may use reasonable averaging and attribution methods and may disregard adjustments for portfolio size provided for by Applicable Insurance Regulations. A certificate of an officer of such holder setting forth the amount of compensation to be paid to it in respect of any demand under this Section 12.6 shall, in the absence of manifest error, be conclusive. Any such compensation amounts not paid within 10 days of delivery of the demand in respect thereof shall bear interest at a rate per annum of 13.56% from and including the date of delivery of such demand to (but excluding) the date of payment, provided, that if the payment of any such compensation amounts would cause an "event of default" in respect of the Senior Debt or, if at the time of payment of any such compensation amounts, an "event of default" in respect of the Senior Debt shall exist, the Company shall pay such compensation amounts by promptly delivering, to such holder, its additional Series B Subordinated Notes in an aggregate principal amount equal to the aggregate of such compensation amounts, which additional Notes, contrary provisions of this Agreement notwithstanding, shall be prepayable without premium.

For purposes of determining the compensation amount to be paid under this Section 12.6, "Notes" shall mean the Notes issued hereunder and held by such holder and any Cablevision Subordinated Notes held by such holder, provided that the Company shall only be obligated to pay to such holder the ratable portion of such compensation amounts based upon the principal amounts outstanding under the Notes.

For purposes of this Section 12.6 the following terms shall be defined as follows:

Applicable Insurance Regulations - means

(a) any applicable law, governmental rule, regulation or order regarding asset valuation reserves or capital adequacy in respect of insurance companies,

(b) any interpretation or administration thereof by any governmental authority, insurance department, the National Association of Insurance Commissioners (including, without limitation, the Securities Valuation Office thereof) or any other comparable governmental or quasi-governmental agency charged with the interpretation or administration of asset valuation reserves or capital adequacy or promulgating or establishing insurance statutory financial reporting standards, or

(c) any request or directive regarding asset valuation reserves, capital adequacy or classification or presentation of investments in connection with statutory financial reporting standards and requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any such governmental authority, insurance department, the National Association of Insurance Commissioners or other comparable governmental or quasi-governmental agency.

Capital Adequacy Notice - with respect to any holder of Notes means a written notice delivered by such holder to the Company informing the Company of the occurrence of an Insurance Regulatory Triggering Event and the necessary prepayment to be made in respect of such Notes and/or the Cablevision Subordinated Notes required to cause such Notes to no longer meet the requirements of clause (b) of the definition of "Insurance Regulatory Triggering Event." Such notice shall also provide a pro forma calculation of any Incremental Capital Adequacy Increase in respect of such Insurance Regulatory Triggering Event.

Insurance Regulatory Triggering Event - with respect to any holder of Notes which is an insurance company means a rating given to the Notes by the National Association of Insurance Commissioners or any other rating agency of national reputation and standing, if, but only if,

(a) any such rating results in the Notes having a rating below a so-called "NAIC-2" (or any equivalent rating in respect thereof),

[PAGES 8 AND 9 MISSING]

11. Each party hereby represents to the other that the individuals executing this First Amendment on its behalf are the duly appointed signatories of the respective parties to this First Amendment and that they are authorized to execute this First Amendment by or on behalf of the respective party for whom they are signing and to take any and all action required by the terms of the First Amendment.

12. Except as amended hereby, the Agreement remains unchanged and, as amended hereby, the Agreement remains in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Agreement, as amended hereby, and the Notes (as such term is defined in the Agreement), as amended hereby. All references to the Agreement, the 11.56% Series A Subordinated Notes (as defined in the Agreement) and the 11.56% Series B Subordinated Notes (as defined in the Agreement) shall mean the Agreement and such Notes as amended by this First Amendment.

13. This First Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart. A signature page may be detached from one counterpart when executed and attached to another counterpart.

[Remainder of page intentionally blank;
next page is signature page]

IN WITNESS WHEREOF, the parties have executed this First Amendment to the Note Purchase and Exchange Agreement as of the date first written above.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: Falcon Investors
Group, Ltd., a California
Limited Partnership, its
General Partner

By: Falcon Holding Group, Inc.,
a California Corporation,
its General Partner

By: /s/ Stanley S. Ifskowitch
Stanley S. Ifskowitch
Executive Vice President

THE MUTUAL LIFE INSURANCE
COMPANY OF NEW YORK

By: /s/ Peter W. Oliver
Peter W. Oliver
Managing Director

MONY LIFE INSURANCE COMPANY
OF AMERICA

By: /s/ Peter W. Oliver
Peter W. Oliver
Authorized Agent

Exhibit 10.18(c)

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT
AND EXCHANGE AGREEMENT

This Second Amendment (the "Second Amendment") dated as of June 30, 1995, between Falcon Telecable, a California limited partnership (the "Company"), MONY Life Insurance Company of America and AUSA Life Insurance Company, Inc. (the "Noteholders").

WHEREAS, by a Note Purchase and Exchange Agreement dated as of October 21, 1991, as heretofore amended (the "Agreement"), between the Company and The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America, the Company issued its 11.56% Series A Subordinated Notes due March 31, 2001 and its 11.56% Series B Subordinated Notes due March 31, 2001 (collectively the "Notes"); and

WHEREAS, the Noteholders are the holders of the entire outstanding principal amount of the Notes; and

WHEREAS, the Company and the Noteholders wish to further amend the Agreement as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants set out herein, the parties hereto agree as follows:

1. Definitions. Terms defined in the Agreement as amended hereby are used with the meaning so defined.

2. Amendment of the Agreement. Effective upon the date hereof, Section 7.19 of the Agreement is amended so that the last paragraph thereof reads in its entirety as follows:

> "Consolidated Cash Flow Plus Cash and Cash Equivalents to Consolidated Fixed Charges. As of the last day of each month commencing March 31, 1994, the sum of (a) the Consolidated Cash Flow for the period of twelve (12) consecutive months ended on such date plus (b) the lesser of (i) cash and Cash Equivalents owned by the Restricted Companies as of such date determined in accordance with GAAP on a Consolidated basis or (ii) $1,000,000 shall exceed the percentage of Consolidated Fixed Charges for such period indicated on the table below:

| Date | Percentage |
| --- | --- |
| March 31, 1994 through February 28, 1995 | 100% |
| March 31, 1995 through December 31, 1995 | 80% |
| January 1, 1996 through December 31, 1998 | 110% |
| January 1, 1998 and thereafter | 105% |

3. Representations and Warranties. In order to induce the Noteholders to enter into this Second Amendment, the Company represents and warrants, immediately before and after giving effect to the amendment set forth in Section 2, that no Default or Event of Default will exist.

4. General. Except as amended hereby, the Agreement remains unchanged and, as amended hereby, the Agreement remains in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Agreement, as amended hereby, and the Notes. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart.

IN WITNESS WHEREOF, the parties have executed this Second Amendment to the Note Purchase and Exchange Agreement as of the Date first written above.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: Falcon Telecable Investors Group
a California Limited
Partnership, a General Partner

By: Falcon Holding Group, Inc.
a California corporation,
a General Partner

By: /s/ Michael K. Menerey
Michael K. Menerey
Chief Financial Officer

AUSA LIFE INSURANCE COMPANY, INC.

By: /s/ Donald W. Chamberlain
Title: Vice President

MONY LIFE INSURANCE COMPANY OF
AMERICA

By: /s/ Peter W. Oliver
Title: Authorized Agent

Exhibit 10.18(d)

THIRD AMENDMENT TO NOTE PURCHASE
AND EXCHANGE AGREEMENT

This THIRD AMENDMENT (this "Third Amendment") is made as of this 28th day of December, 1995, between Falcon Telecable, a California limited partnership (the "Company"), AUSA Life Insurance Company, Inc. and MONY Life Insurance Company of America (the "Purchasers").

WHEREAS, by a Note Purchase and Exchange Agreement dated as of October 21, 1991, as heretofore amended, (the "Agreement"), between the Company and The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America, the Company issued its 11.56% Series A Subordinated Notes due March 31, 2001 and its 11.56% Series B Subordinated Notes due March 31, 2001 (collectively, the "Notes"); and

WHEREAS, the Purchasers are the holders of the entire outstanding principal amount of the Notes; and

WHEREAS, the Company and the Purchasers wish to amend the Agreement as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants set out herein, the parties hereto agree as follows:

1. Section 7 of the Agreement is amended as follows:

   a. Section 7.19 is amended to read as follows:

      "7.19 Compliance With Bank Credit Agreement. The Company shall comply, and shall cause the Restricted Companies to comply, with each of the covenants contained in Section 7 of the Bank Credit Agreement (other than Sections 7.5.2 and 7.15) as in effect on the Third Amendment Closing Date (except as such covenants may be amended pursuant to Section 7.20 below, other than those set forth in the immediately following paragraph), a copy of which is attached hereto as Exhibit E. All references therein to Lenders, Managing Agent and similar Persons shall be deemed, for purposes of this Agreement, to be the holders of the Notes."

For purposes of this Agreement, the incorporated provisions of Sections 7.5.1, 7.5.3 and 7.5.4 of the Bank Credit Agreement (as defined in Section 3 below) are amended to read as follows and shall not be subject to amendment or modification without the consent of the holders of the Notes:

"Consolidated Total Debt to Consolidated Annualized Operating Cash Flow. Consolidated Total Debt shall not on any date exceed the percentage indicated in the table below of Consolidated Annualized Operating Cash Flow for the period of three consecutive months then most recently ended for which financial statements have been (or are required to have been) furnished in accordance with Section 8:

| Date | Percentage |
|---|---|
| Third Amendment Closing Date through June 29, 1996 | 615% |
| June 30, 1996 through December 30, 1996 | 600% |
| December 31, 1996 through June 29, 1997 | 575% |
| June 30, 1997 through September 29, 1997 | 550% |
| September 30, 1997 through June 29, 1998 | 540% |
| June 30, 1998 through December 30, 1998 | 500% |
| December 31, 1998 through June 29, 1999 | 475% |
| June 30, 1999 through December 30, 1999 | 425% |
| December 31, 1999 through June 29, 2000 | 400% |

| | |
|---|---|
| June 30, 2000 through December 30, 2000 | 340% |
| December 31, 2000 and thereafter | 310% |

Consolidated Annualized Operating Cash Flow to Consolidated Pro Forma Debt Service. As of the last day of each month, Consolidated Annualized Operating Cash Flow for the period of three consecutive months ended on such date shall exceed 105% of Consolidated Pro Forma Debt Service for the period of twelve consecutive months beginning immediately after such date.

Consolidated Operating Cash Flow Plus Cash and Cash Equivalents to Consolidated Total Fixed Charges. As of the last day of each month commencing March 31, 1999, the sum of (a) Consolidated Operating Cash Flow for the period of twelve consecutive months ended on such date plus (b) the lesser of (i) cash and Cash Equivalents owned by the Restricted Companies as of such date determined in accordance with GAAP on a Consolidated basis or (ii) $1,250,000 shall exceed 95% of Consolidated Total Fixed Charges for such period."

2. Section 9 of the Agreement is amended as follows:

(a) Section 9.1(c) is amended to read as follows:

"(c) the Company fails to perform or observe any covenant or condition contained in Section 2.2, Section 7.20, Section 7.21, or, to the extent resulting from a failure to comply with Section 7.5 through Section 7.12, inclusive, Section 7.14, Section 7.15 or Section 7.17 of the Bank Credit Agreement (as and to the extent modified and incorporated herein);"

(b) The incorporation by reference of Sections 10.1.3, 10.1.6, 10.1.8 and 10.1.9 of the Bank Credit Agreement into Section 9 is hereby deleted. Sections 9.1.5, 9.1.6, 9.1.8 and 9.1.9 of the Bank Credit Agreement are incorporated into Section 9 of the

Agreement by reference; such provisions are subject to amendment or modification only with the consent of the holders of the Notes.

3. Section 11.1 of the Agreement is amended by incorporating by reference each of the definitions set forth in Section 1 of the Bank Credit Agreement (as defined in this Section 11 below) as in effect on the Third Amendment Closing Date (as defined in this Section 11 below) (except as such definitions are amended pursuant to Section 7.20 of the Agreement) to the extent such definitions are referred to in, or are necessary to construe or further define the provisions and terms of the Bank Credit Agreement incorporated herein, provided, that, all references therein to Lenders, Administrative Agent, Managing Agent or similar Persons shall be deemed, for purposes of this Agreement, to be the holders of Notes. To the extent that any definition so incorporated by reference from the Bank Credit Agreement shall conflict with, or be inconsistent with, any existing definition in the Agreement, the definition so incorporated by reference shall prevail. In addition, the following are added or substituted for existing definitions:

"'Bank Credit Agreement' means the Credit Agreement dated as of December 28, 1995, among the Company and other borrowers and guarantors thereunder, the banks signatory thereto as lenders and The First National Bank of Boston, as managing agent, a copy of which is attached hereto as Exhibit E, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to effect the refunding or refinancing of the indebtedness outstanding thereunder.

'Bank Pledge Agreement' means the Pledge and Subordination Agreement dated as of December 28, 1995 among Holding, L.P., Holding, Inc., the Guarantors and The First National Bank of Boston, as managing agent, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to reflect the refunding or refinancing of the indebtedness outstanding under the Bank Credit Agreement.

'Third Amendment Closing Date' means the date described in Section 4 of the Third Amendment.

'Third Amendment' means that certain Third Amendment to Note Purchase and Exchange Agreement dated December 28, 1995 between the Company and the Purchasers."

There is hereby added to the Agreement a revised Exhibit E which shall be in the form of Exhibit A to this Third Amendment. The Bank Credit Agreement is set forth in Exhibit A to this Third Amendment.

4. The following are conditions precedent to the effectiveness of this Third Amendment. The date on which all such conditions are met (or waived by the Purchasers) shall be referred to herein as the "Third Amendment Closing Date".

(a) The transactions contemplated by the Bank Credit Agreement to be completed on the Initial Closing Date (as defined in the Bank Credit Agreement) shall be completed and all conditions theretofore shall have been fulfilled and the Bank Credit Agreement shall be in full force and effect.

(b) All representations and warranties set forth in Section 8 of the Bank Credit Agreement shall be true and correct as of the Closing Date, and each of the Purchasers shall have received a certificate from an authorized officer of each Person making such representations stating that such representations and warranties are true and correct, stating that each Purchaser may rely on such representations and warranties as though the same were made to such Purchaser and acknowledging that each Purchaser is relying on the truth and accuracy of such representations and warranties in entering into this Third Amendment and consummating the transactions contemplated herein.

(c) The Ninth Amendment to Note Purchase and Exchange Agreement dated as of December 28, 1995 (the "Ninth Amendment") between Falcon Cablevision and AUSA Life Insurance Company, Inc. shall have been executed and delivered by all parties thereto.

(d) The Purchasers shall have received from Weinstein, Boldt, Racine & Halfhide counsel to the Company and the Restricted Companies (as such term is defined in the Bank Credit Agreement), an opinion addressed to the Purchasers to the effect and in the form of opinion attached hereto as Exhibit B.

(e) The Purchasers shall have received evidence satisfactory to the Purchasers (which may be a satisfactory opinion of counsel) that the Restricted Companies have received all necessary regulatory approvals required in connection with the transactions contemplated by the Bank Credit

Agreement, this Third Amendment and the Ninth Amendment, with respect to franchises covering at least 80% of the subscribers in cable systems owned or operated by Falcon First, Inc.

(f) The fees and expenses incurred by the Purchasers in connection with this Third Amendment and the Ninth Amendment, including the fees and disbursements of counsel to the Purchasers, shall have been paid, or the Company shall have agreed to pay such amounts within 10 days of receipt of an invoice therefor.

(g) The Purchasers shall have received such certificates and other evidence as they may reasonably request with respect to the due authorization and the taking of all necessary corporate and partnership action in connection with the execution and delivery by the Company, Holding, L.P. and Holding, Inc. of the agreements and instruments contemplated by this Third Amendment.

(h) All proceedings taken in connection with this Third Amendment and all documents and papers relating thereto shall be satisfactory to the Purchasers and their special counsel. The Purchasers and their special counsel shall have received copies of such documents and papers as they may reasonably request in connection therewith, all in form and substance satisfactory to the Purchasers and their special counsel.

5. Each party hereby represents to the other that the individuals executing this Third Amendment on its behalf are the duly appointed signatories of the respective parties to this Third Amendment and that they are authorized to execute this Third Amendment by or on behalf of the respective party for whom they are signing and to take any and all action required by the terms of the Third Amendment.

6. Except as amended hereby, the Agreement remains unchanged and, as amended hereby, the Agreement remains in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Agreement as amended hereby, and the Notes (as such term is defined in the Agreement), as amended hereby. All references to the Agreement, the 11.56% Series A Subordinated Notes (as defined in the Agreement) and the 11.56% Series B Subordinated Notes (as defined in the Agreement) shall mean the Agreement and such Notes as amended by this Third Amendment.

7. This Third Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart. A signature page may be detached from one counterpart when executed and attached to another counterpart.

[Remainder of page intentionally blank;
next page is signature page.]

IN WITNESS WHEREOF, the parties have executed this Third Amendment to the Note Purchase and Exchange Agreement as of the date first written above.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: Falcon Telecable Investors Group Ltd.,
a California limited partnership,
Its General Partner

By: Falcon Holding Group, Inc.
a California corporation,
Its General Partner

By: /s/ Michael K. Menerey
MICHAEL K. MENEREY
Chief Financial Officer

AUSA LIFE INSURANCE COMPANY, INC.

By: /s/ Donald W. Chamberlain
Title: Vice President

MONY LIFE INSURANCE COMPANY OF
AMERICA

By: /s/ Peter W. Oliver
Title: Authorized Agent

IN WITNESS WHEREOF, the parties have executed this Third Amendment to the Note Purchase and Exchange Agreement as of the date first written above.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: Falcon Telecable Investors Group Ltd.,
a California limited partnership,
Its General Partner

By: Falcon Holding Group, Inc.
a California corporation,
Its General Partner

By:
MICHAEL K. MENEREY
Chief Financial Officer

AUSA LIFE INSURANCE COMPANY, INC.

By:
Title:

MONY LIFE INSURANCE COMPANY OF
AMERICA

By:
Title:

Exhibit 10.18(e)

# FOURTH AMENDMENT TO NOTE PURCHASE AND EXCHANGE AGREEMENT

This FOURTH AMENDMENT (this "Fourth Amendment") is made as of this 12th day of July, 1996, between Falcon Telecable, a California limited partnership (the "Company"), AUSA Life Insurance Company Inc. and MONY Life Insurance Company of America (the "Purchasers").

WHEREAS, by a Note Purchase and Exchange Agreement dated as of October 21, 1991, as heretofore amended, (the "Agreement"), between the Company and The Mutual Life Insurance Company of New York and MONY Life Insurance Company of America, the Company issued its 11.56% Series A Subordinated Notes due March 31, 2001 and its 11.56% Series B Subordinated Notes due March 31, 2001 (collectively, the "Notes"); and

WHEREAS, the Purchasers are the holders of the entire outstanding principal amount of the Notes; and

WHEREAS, the Company and the Purchasers wish to amend the Agreement as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants set out herein, the parties hereto agree as follows:

1. Section 7 of the Agreement is amended as follows:

   a. Section 7.19 is amended to read as follows:

      "7.19 Compliance With Bank Credit Agreement. The Company shall comply, and shall cause the Restricted Companies to comply, with each of the covenants contained in Section 7 of the Bank Credit Agreement (other than Sections 7.5.2 and 7.15) as in effect on the Fourth Amendment Closing Date (except as such covenants may be amended pursuant to section 7.20 below, other than those set forth in the immediately following paragraph), a copy of which is attached hereto as Exhibit E. All references therein to Lenders, Managing Agent and similar Persons shall be deemed, for purposes of this Agreement, to be the holders of the Notes."

For purposes of this Agreement, the incorporated provisions of Sections 7.5.1, 7.5.3 and 7.5.4 of the Bank Credit Agreement (as defined in Section 3 below) are amended to read as follows and shall not be subject to amendment or modification without the consent of the holders of the Notes:

"Consolidated Total Debt to Consolidated Annualized Operating Cash Flow. Consolidated Total Debt shall not on any date exceed the percentage indicated in the table below of Consolidated Annualized Operating Cash Flow for the period of three consecutive months then most recently ended for which financial statements have been (or are required to have been) furnished in accordance with Section 8:

| Date | Percentage |
|---|---|
| Fourth Amendment Closing Date through June 29, 1999 | 650% |
| June 30, 1999 through December 30, 1999 | 600% |
| December 31, 1999 through June 29, 2000 | 550% |
| June 30, 2000 through December 30, 2000 | 500% |
| December 31, 2000 and thereafter | 450% |

Consolidated Annualized Operating Cash Flow to Consolidated Pro Forma Debt Service. As of the last day of each month, Consolidated Annualized Operating Cash Flow for the period of three consecutive months ended on such date shall exceed 100% of Consolidated Pro Forma Debt Service for the period of twelve consecutive months beginning immediately after such date.

Consolidated Operating Cash Flow Plus Cash and Cash Equivalents to Consolidated Total Fixed Charges. As of the last day of each month commencing December 31, 2000, the sum of (a) Consolidated Operating Cash Flow for the period of twelve consecutive months ended on such date plus (b) the lesser of (i) cash and Cash Equivalents owned by the Restricted Companies as of such date determined in accordance with GAAP on a Consolidated basis or (ii) $2,000,000 shall exceed 95% of Consolidated Total Fixed Charges for such period."

2. Section 9.1(c) of the Agreement is amended as follows:

"(c) the Company fails to perform or observe any covenant or condition contained in Section 2.2, Section 7.20, Section 7.21, or, to the extent resulting from a failure to comply with Section 7.5 through Section 7.12, inclusive, Section 7.14, Section 7.15, Section 7.17 or Section 7.18 of the Bank Credit Agreement (as and to the extent modified and incorporated herein);"

3. Section 11.1 of the Agreement is amended by incorporating by reference each of the definitions set forth in Section 1 of the Bank Credit Agreement (as defined in this Section 11 below) as in effect on the Fourth Amendment Closing Date (as defined in this Section 11 below) (except as such definitions are amended pursuant to Section 7.20 of the Agreement) to the extent such definitions are referred to in, or are necessary to construe or further define, the provisions and terms of the Bank Credit Agreement incorporated herein, provided, that, all references therein to Lenders, Administrative Agent, Managing Agent or similar Persons shall be deemed, for purposes of this Agreement, to be the holders of Notes. To the extent that any definition so incorporated by reference from the Bank Credit Agreement shall conflict with, or be inconsistent with, any existing definition in the Agreement, the definition so incorporated by reference shall prevail. In addition, the following are added or substituted for existing definitions:

"'Bank Credit Agreement' means the Amended and Restated Credit Agreement dated as of July 12, 1996, among the Company and other borrowers and guarantors thereunder, the banks signatory thereto as lenders and The First National Bank of Boston, as managing agent, a copy of which is attached hereto as Exhibit E, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to effect the refunding or refinancing of the indebtedness outstanding thereunder.

'Bank Pledge Agreement' means the Amended and Restated Pledge and Subordination Agreement dated as of July 12, 1996 among Holding, L.P., Holding, Inc., the Guarantors and The First National Bank of Boston, as managing agent, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to reflect the refunding or refinancing of the indebtedness outstanding under the Bank Credit Agreement.

'Fourth Amendment Closing Date' means the date described in Section 4 of the Fourth Amendment.

'Fourth Amendment' means that certain Fourth Amendment to Note Purchase and Exchange Agreement dated July 12, 1996 between the Company and the Purchasers."

There is hereby added to the Agreement a revised Exhibit E which shall be in the form of Exhibit A to this Fourth Amendment. The Bank Credit Agreement is set forth in Exhibit A to this Fourth Amendment.

4. The following are conditions precedent to the effectiveness of this Fourth Amendment. The date on which all such conditions are met (or waived by the Purchasers) shall be referred to herein as the "Fourth Amendment Closing Date".

(a) The transactions contemplated by the Bank Credit Agreement to be completed on the Initial Closing Date (as defined in the Bank Credit Agreement) shall be completed and all conditions theretofore shall have been fulfilled and the Bank Credit Agreement shall be in full force and effect.

(b) All representations and warranties set forth in Section 8 of the Bank Credit Agreement shall be true and correct as of the Fourth Amendment Closing Date, and each of the Purchasers shall have received a certificate from an authorized officer of each Person making such representations stating that such representations and warranties are true and correct, stating that each Purchaser may rely on such representations and warranties as though the same were made to such Purchaser and acknowledging that each Purchaser is relying on the truth and accuracy of such representations and warranties in entering into this Fourth Amendment and consummating the transactions contemplated herein.

(c) The Purchasers shall have received from Weinstein, Boldt, Racine & Halfhide counsel to the Company and the Restricted Companies (as such term is defined in the Bank Credit Agreement), an opinion addressed to the Purchasers to the effect and in the form of opinion attached hereto as Exhibit B.

(d) The fees and expenses incurred by the Purchasers in connection with this Fourth Amendment, including the fees and disbursements of counsel to the Purchasers, shall have been paid, or the Company shall have agreed to pay such amounts within 10 days of receipt of an invoice therefor.

(e) The Purchasers shall have received such certificates and other evidence as they may reasonably request with respect to the due authorization and the taking of all necessary corporate and partnership action in connection with the execution and delivery by the Company, Holding, L.P. and Holding, Inc. of the agreements and instruments contemplated by this Fourth Amendment.

(f) All proceedings taken in connection with this Fourth Amendment and all documents and papers relating thereto shall be satisfactory to the Purchasers and their special counsel. The Purchasers and their special counsel shall have received copies of such documents and papers as they may reasonably request in connection therewith, all in form and substance satisfactory to the Purchasers and their special counsel.

5. Each party hereby represents to the other that the individuals executing this Fourth Amendment on its behalf are the duly appointed signatories of the respective parties to this Fourth Amendment and that they are authorized to execute this Fourth Amendment by or on behalf of the respective party for whom they are signing and to take any and all action required by the terms of the Fourth Amendment.

6. Except as amended hereby, the Agreement remains unchanged and, as amended hereby, the Agreement remains in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Agreement as amended hereby, and the Notes (as such term is defined in the Agreement), as amended hereby. All references to the Agreement, the 11.56% Series A Subordinated Notes (as defined in the Agreement) and the 11.56% Series B Subordinated Notes (as defined in the Agreement) shall mean the Agreement and such Notes as amended by this Fourth Amendment.

7. This Fourth Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart. A signature page may be detached from one counterpart when executed and attached to another counterpart.

[Remainder of page intentionally blank;
next page is signature page.]

IN WITNESS WHEREOF, the parties have executed this Fourth Amendment to the Note Purchase and Exchange Agreement as of the date first written above.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: Falcon Telecable Investors Group Ltd.,
a California limited partnership,
Its General Partner

By: Falcon Holding Group, Inc.,
a California corporation,
Its General Partner

By: /s/ Michael K. Menerey
MICHAEL K. MENEREY
Chief Financial Officer

AUSA LIFE INSURANCE COMPANY, INC.

By: /s/ Donald W. Chamberlain

Title: Vice President

MONY LIFE INSURANCE COMPANY OF
AMERICA

By: /s/ Peter W. Oliver

Title: Authorized Agent

Exhibit 10.18(f)

NOTE PURCHASE AND EXCHANGE AGREEMENT
CONSENT AND AMENDMENT AGREEMENT

This Consent and Amendment Agreement (this "Amendment") is dated as of June 30, 1998 among Falcon Telecable, a California Limited Partnership (the "Company"), AUSA Life Insurance Company, Inc., by AUER & Co. its nominee, and MONY Life Insurance Company of America, by J. ROMEO & Co., its nominee (the "Purchasers").

The Company and the Purchasers agree as follows:

1. Reference to Note Purchase and Exchange Agreement. Reference is made to a Note Purchase and Exchange Agreement dated as of October 21, 1991 as heretofore amended and modified (the "Note Purchase Agreement"). Reference is also made to a Second Restated Subordination Agreement dated as of July 12, 1996 among the Purchasers, Falcon Holding Group, L.P. ("Holding, L.P."), Falcon Holding Group, Inc. ("Holding, Inc.") and certain subsidiaries of Holding, L.P. and Holding, Inc. listed as signatories thereto, as heretofore amended and modified (the "Subordination Agreement"). Reference is also made to a Second Restated Guaranty Agreement dated as of July 12, 1996 among the Purchasers and certain subsidiaries of Holding, L.P. and Holding, Inc. listed as signatories thereto, as heretofore amended and modified (the "Guaranty Agreement"). The Note Purchase Agreement, the Subordination Agreement and the Guaranty Agreement are collectively referred to as the "Telecable Agreements." Capitalized terms defined in the Telecable Agreements that are not defined herein shall have the meanings ascribed to them in the Telecable Agreements as applicable.

2. Consent. Reference is also made to the Bank Credit Agreement as in effect before giving effect to the New Bank Credit Agreement (the "Existing Bank Credit Agreement"). The Company and other borrowers under the Existing Bank Credit Agreement anticipate entering into a Credit Agreement on June 30, 1998 (the "New Bank Credit Agreement") with BankBoston, N.A., as Documentation Agent, borrowings under which will be used, among other things, to discharge all outstanding obligations under the Existing Bank Credit Agreement. The Purchasers hereby consent to the Company's and its affiliates' execution, delivery and performance of the New Bank Credit Agreement, such New Bank Credit Agreement to be substantially in the form attached hereto as Exhibit A.

3. Amendments to Telecable Agreements.

3.1 Section 7.19 of the Note Purchase Agreement is amended to read as follows:

"7.19 Compliance with Bank Credit Agreement. The Company shall comply, and shall cause the Restricted Companies to comply, with each of the covenants contained in Section 7 of the Bank Credit Agreement (other than Sections 7.5.2 and 7.15) as in effect on the Amendment Closing Date (except as such covenants may be amended pursuant to Section 7.20 below, other than those set forth in the immediately following paragraph), a copy of which is attached hereto as Exhibit E. All references therein to Lenders, Agents and similar persons shall be deemed, for purposes of this Agreement, to be holders of the Notes."

For purposes of this Agreement, the incorporated provisions of Sections 7.5.1, 7.5.3 and 7.5.4 of the Bank Credit Agreement (as defined in Section 11.1 of this Agreement) are amended to read as follows and shall not be subject to amendment or modification without the consent of the holders of the Notes:

"CONSOLIDATED TOTAL DEBT TO CONSOLIDATED ANNUALIZED OPERATING CASH FLOW." Consolidated Total Debt shall not on any date exceed the percentage indicated in the table below of Consolidated Annualized Operating Cash Flow for the period of three consecutive months then most recently ended for which financial statements have been (or are required to have been) furnished in accordance with Section 8:

| Date | Percentage |
|---|---|
| Amendment Closing Date through June 29, 1999 | 650% |
| June 30, 1999 through December 30, 1999 | 600% |
| December 31, 1999 through June 29, 2000 | 550% |
| June 30, 2000 through December 30, 2000 | 500% |
| December 31, 2000 and thereafter | 450% |

"CONSOLIDATED ANNUALIZED OPERATING CASH FLOW TO CONSOLIDATED PRO FORMA DEBT SERVICE." As of the last day of each month, Consolidated Annualized Operating Cash Flow for the period of three consecutive months ended on such date shall exceed 100% of Consolidated Pro Forma Debt Service for the period of twelve consecutive months beginning immediately after such date.

"CONSOLIDATED OPERATING CASH FLOW PLUS CASH AND CASH EQUIVALENTS TO CONSOLIDATED TOTAL FIXED CHARGES." As of the last day of each month commencing December 31, 2000, the sum of (a) Consolidated Operating Cash Flow for the period of twelve consecutive months ended on such date plus (b) the lesser of (i) cash and Cash Equivalents owned by the "Restricted Companies as of such date determined in accordance with GAAP on a Consolidated Basis or (ii) $2,000,000 shall exceed 95% of Consolidated Total Fixed Charges for such period."

3.2 Section 9.1(c) of the Note Purchase Agreement is amended to read as follows:

"(c) the Company fails to perform or observe any covenant or condition contained in Section 2.2, Section 7.20 or Section 7.21 of this Agreement, or, to the extent resulting from a failure to comply with Section 7.5 through Section 7.12, inclusive, Section 7.14, Section 7.15, Section 7.17 through Section 7.19, inclusive, of the Bank Credit Agreement (as and to the extent modified and incorporated herein);"

3.3 Section 11.1 of the Note Purchase Agreement is amended to read as follows:

"Each of the definitions set forth in Section 1 of the Bank Credit Agreement (as defined in this Section 11.1 below) as in effect on the Amendment Closing Date (as defined in this Section 11.1 below)(except as such definitions are amended pursuant to Section 7.20 of the Agreement) are hereby incorporated herein to the extent such definitions are referred to in, or are necessary to construe or further define, the provisions and terms of the Bank Credit Agreement incorporated herein, provided, that, all references therein to Lenders, Agents, and similar Persons shall be deemed, for purposes of this Agreement, to be the holders of the Notes. To the extent that any definition so incorporated by reference from the Bank Credit Agreement shall conflict with, or be inconsistent with, any existing definition in the Agreement, the definition so incorporated by reference shall prevail. In addition, the following definitions are added or substituted for existing definitions:

"Amendment" means this Amendment.

"Amendment Closing Date" means the date described in Section 4.3 of this Amendment.

"Bank Credit Agreement" means the Credit Agreement dated as of June 30, 1998, among the Company and other borrowers and guarantors thereunder, the banks signatory thereto as lenders and BankBoston, N.A., as Documentation Agent, a copy of which is attached hereto as Exhibit E, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to reflect the refunding or refinancing of the indebtedness outstanding thereunder.

"Bank Pledge Agreement" means the Pledge and Subordination Agreement dated as of June 30, 1998, among Holding, L.P., Holding, Inc., the Company, the other Restricted Companies, and BankBoston, N.A. as Documentation Agent, as amended, supplemented or otherwise modified from time to time, including any amendment, supplement or modification to reflect the refunding or refinancing of the indebtedness outstanding under the Bank Credit Agreement.

There is hereby added to the Agreement a revised Exhibit E which shall be in the form of Exhibit A to this Amendment. The Bank Credit Agreement as in effect on the date hereof is set forth in Exhibit A to this Amendment."

4. Additional Agreements.

4.1 The Purchasers acknowledge that New Falcon II will become the "Borrower" under the New Bank Credit Agreement substantially contemporaneously with the TCI Closing (as defined in the New Bank Credit Agreement) and agree that, even after New Falcon II becomes the "Borrower" under the New Bank Credit Agreement, the Notes and all other obligations of the Company under the Note Purchase Agreement (and all obligations of the "Guarantors" under the Guaranty Agreement) shall remain subordinated to the indebtedness and other obligations of the Company and the other "Borrowers" and "Guarantors" under the New Bank Credit Agreement on the same terms as currently subordinated. Pursuant to Section 7.21 of the Note Purchase Agreement, subject to the Company and its affiliates entering into the New Bank Credit Agreement, the Company will cause New Falcon II to become a "Guarantor" under the Guaranty agreement and a party to the Subordination Agreement contemporaneously with becoming a "Borrower" under the New Bank Credit Agreement.

4.2 Pursuant to Section 7.21 of the Note Purchase Agreement, subject to the Company and its affiliates entering into the New Bank Credit Agreement, the Company will cause Falcon Video Communications, L.P. and Falcon Video Communications Investors, L.P. to become "Guarantors" under the Guaranty Agreement and parties to the Subordination Agreement contemporaneously with their becoming a "Guarantor" under the New Bank Credit Agreement (i.e., upon the TCI Closing and the discharge of the Falcon Video Financing Debt as contemplated in Section 5.3.1 of the New Bank Credit Agreement, and not upon the earlier making of the Falcon Video Revolving Loan under Section 2.1.4 of the New Bank Credit Agreement).

4.3 The following are conditions precedent to the effectiveness of this Amendment. The date on which all such conditions are met (or waived by the Purchasers) shall be referred to in this Amendment as the "Amendment Closing Date."

4.3.1. The transactions contemplated by the New Bank Credit Agreement to be completed on the Initial Closing Date (as defined in the New Bank Credit Agreement) shall be completed and all conditions theretofore shall have been fulfilled and the New Bank Credit Agreement shall be in full force and effect.

4.3.2. All representations and warranties set forth in Section 8 of the New Bank Credit Agreement shall be true and correct as of the Amendment Closing Date, and by signing below each of the Restricted Companies (under the New Bank Credit Agreement) confirms that such representations and warranties are true and correct as of the date hereof and that each Purchaser may rely on such representations and warranties as though the same were made to such Purchaser and acknowledging that each Purchaser is relying on the truth and accuracy of such representations and warranties in entering into this Agreement and consummating the transactions contemplated herein.

4.3.3. All proceedings taken in connection with this Amendment and all documents and papers relating thereto shall be satisfactory to the Purchasers and their special counsel. The Purchasers and their special counsel shall have received copies of such documents and papers as they may reasonably request in connection therewith, all in form and substance satisfactory to the Purchasers and their special counsel.

4.4. Except as amended hereby, the Telecable Agreements remain unchanged and, as amended hereby, the Telecable Agreements remain in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Telecable Agreements as amended hereby, and the Notes (as such term is defined in the Note Purchase Agreement), as amended hereby. All references to the Note Purchase Agreement, the 11.56% Series A Subordinated Notes (as defined in the Note Purchase Agreement) and the 11.56% Series B Subordinated Notes (as defined in the Note Purchase Agreement) shall mean the Note Purchase Agreement and such Notes as amended to date and by this Agreement.

4.5. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart. A signature page may be detached from one counterpart when executed and attached to another counterpart.

[REMAINDER OF PAGE INTENTIONAL BLANK;
NEXT PAGE IS SIGNATURE PAGE]

Each of the undersigned has caused this Consent Agreement to be executed an delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner

By: FALCON HOLDING GROUP,
INC., a California corporation, its
managing general partner

By: /s/ Jon Lunsford
--------------------------
Title: EVP-Finance

AUSA LIFE INSURANCE COMPANY, INC.
By: AUER & Co.

By: /s/ S. Michael Jones
-----------------------------
Title: Reorg Administrator

J. ROMEO & CO.

By: /s/ Jeffrey Knitmeyer
-----------------------------
Title:

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 4.3.2 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP

Each of the undersigned has caused this Consent Agreement to be executed an delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP
By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner

By: FALCON HOLDING GROUP, INC., a
California corporation, its managing
general partner

By: /s/ Jon Lunsford
---------------------------------------
Title: EVP

AUSA LIFE INSURANCE COMPANY, INC.
By: AUER & Co., its nominee

By: /s/ S. Michael Jones
---------------------------------------

Title: Reorg Administrator

MONY LIFE INSURANCE COMPANY OF
AMERICA
By: J. ROMEO & Co., its nominee

By: /s/ Jeffrey Knitmeyer
---------------------------------------
Title:

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 4.3.2 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY CABLE, L.P.

Each of the undersigned has caused this Consent Agreement to be executed an delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner

By: FALCON HOLDING GROUP,
INC., a California corporation, its
managing general partner

By:
--------------------------
Title:

AUSA LIFE INSURANCE COMPANY, INC.
By: AUER & Co., its nominee

By:
-----------------------------
Title:

MONY LIFE INSURANCE COMPANY OF AMERICA

By: J. ROMEO & Co., its nominee

By: /s/ Peter Coccia
-----------------------------
Title: Partner

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 4.3.2 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY CABLE, L.P.

FALCON COMMUNITY VENTURES I
LIMITED PARTNERSHIP
FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY INVESTORS, L.P.
FALCON INVESTORS GROUP, LTD., A
CALIFORNIA LIMITED PARTNERSHIP
FALCON MEDIA INVESTORS GROUP, A
CALIFORNIA LIMITED PARTNERSHIP
FALCON TELECABLE INVESTORS GROUP,
A CALIFORNIA LIMITED PARTNERSHIP
FALCON TELECOM, L.P.

By: FALCON HOLDING GROUP, INC.
as general partner, or general partner of the
general partner of each of the foregoing
companies

By: /s/ Jon Lunsford
------------------
Title: EVP

FALCON FIRST, INC.
FALCON FIRST CABLE OF THE SOUTHEAST, INC.
FALCON FIRST HOLDINGS, INC.
FF CABLE HOLDINGS, INC.
FALCON FIRST CABLE OF NEW YORK, INC.
PLATTSBURG CABLEVISION, INC.
AUSABLE CABLE TV, INC.
CEDAR BLUFF CABLEVISION, INC.
EASTERN MISSISSIPPI CABLEVISION, INC.
SCOTTSBORO TV CABLE, INC.
LAUDERDALE CABLEVISION, INC.
SCOTTSBORO CABLEVISION, INC.
ATHENS CABLEVISION, INC.
DALTON CABLEVISION, INC.
MULTIVISION OF COMMERCE, INC.
MULTIVISION NORTHEAST, INC.

By: /s/ Jon Lunsford
------------------
Title: EVP

Exhibit 10.18(g)

NOTE PURCHASE AND EXCHANGE AGREEMENT
AMENDMENT AGREEMENT

This Amendment Agreement (this "Amendment") is dated as of September 30, 1998 among Falcon Telecable, a California Limited Partnership (the "Company") and AUER & Co. and J. ROMEO & Co., (the "Purchasers").

The Company and the Purchasers agree as follows:

1. Reference to Note Purchase and Exchange Agreement. Reference is made to a Note Purchase and Exchange Agreement dated as of October 21, 1991 as heretofore amended and modified, including pursuant to the Consent and Amendment Agreement dated as of June 30, 1998 (the "Note Purchase Agreement"). Capitalized terms defined in the Note Purchase Agreement that are not defined herein shall have the meanings ascribed to them in the Note Purchase Agreement.

2. Amendments to Note Purchase Agreement. Section 7.19 of the Note Purchase Agreement is hereby amended by deleting Section 7.19 in its present form in its entirety and substituting in its place a new Section 7.19, which reads in its entirety as follows:

"7.19 Compliance with Bank Credit Agreement. The Company shall comply, and shall cause the Restricted Companies to comply, with each of the covenants contained in Section 7 of the Bank Credit Agreement (other than Section 7.15) as in effect on the Amendment Effective Date (except as such covenants may be amended pursuant to Section 7.20 below, other than those set forth in the immediately following paragraph), a copy of which is attached hereto as Exhibit E. All references therein to Lenders, Agents and similar persons shall be deemed, for purposes of this Agreement, to be holders of the Notes.

For purposes of this Agreement, the incorporated provisions of Sections 7.5.1, 7.5.2, 7.5.3 and 7.5.4 of the Bank Credit Agreement (as defined in Section 11.1 of this Agreement) are amended to read as follows and shall not be subject to amendment or modification without the consent of the holders of the Notes:

7.5.1. CONSOLIDATED TOTAL DEBT TO CONSOLIDATED ANNUALIZED OPERATING CASH FLOW. Consolidated Total Debt shall not as of the end of any fiscal quarter exceed the percentage indicated in the table below of Consolidated Annualized Operating Cash Flow for such fiscal quarter:

| DATE | PERCENTAGE IN EFFECT PRIOR TO TCI CLOSING | PERCENTAGE IN EFFECT AFTER TCI CLOSING |
|---|---|---|
| September 30, 1998 through March 31, 2001 | 650% | 700% |

7.5.2 CONSOLIDATED ANNUALIZED OPERATING CASH FLOW TO CONSOLIDATED CASH INTEREST EXPENSE. On the last day of each fiscal quarter of the Restricted Companies, Consolidated Annualized Operating Cash Flow for the three-month period then ending shall exceed the percentage indicated below of Consolidated Cash Interest Expense for such three-month period: (a) from September 30, 1998 through December 31, 2000, 120%, and (b) from January 1, 2001 through March 31, 2001, 130%.

7.5.3 CONSOLIDATED ANNUALIZED OPERATING CASH FLOW TO CONSOLIDATED PRO FORMA DEBT SERVICE. On the last day of each fiscal quarter of the Restricted Companies, Consolidated Annualized Operating Cash Flow for the three-month period then ending shall exceed 100% of Consolidated Pro Forma Debt Service for the 12-month period beginning immediately after such date.

7.5.4 CAPITAL EXPENDITURES. During each year indicated below, Capital Expenditures of the Restricted Companies shall not exceed the total of:

(a) the applicable amount set forth opposite such year in the table below <u>plus</u>

(b) for each year after 1998, the amount by which actual Capital Expenditures in the preceding year are less than the applicable amount set forth for such preceding year in such table."

| CALENDAR YEAR | AMOUNT IF THE TCI CLOSING OCCURS DURING SUCH TCI CALENDAR YEAR | AMOUNT IF TCI CLOSING DOES NOT OCCUR DURING SUCH CALENDAR YEAR |
|---|---|---|
| 1998 | $150,000,000 | $120,000,000 |
| 1999 | $170,000,000 | $120,000,000 |
| 2000 | $185,000,000 | $130,000,000 |
| 2001 | $130,000,000 | $ 85,000,000 |

3. Additional Agreements.

3.1 The following are conditions precedent to the effectiveness of this Amendment. The date on which all such conditions are met (or waived by the Purchasers) shall be referred to in this Section 3 as the "Amendment Effective Date."

3.1.1. All representations and warranties set forth in Section 8 of the Bank Credit Agreement shall be true and correct as of the Amendment Effective Date, and by signing below each of the Restricted Companies (under the Bank Credit Agreement) confirms that such representations and warranties are true and correct as of the date hereof and that each Purchaser may rely on such representations and warranties as though the same were made to such Purchaser and acknowledging that each Purchaser is relying on the truth and accuracy of such representations and warranties in entering into this Amendment and consummating the transactions contemplated herein.

3.1.2. All proceedings taken in connection with this Amendment and all documents and papers relating thereto shall be satisfactory to the Purchasers and their special counsel. The Purchasers and their special counsel shall have received copies of such documents and papers as they may reasonably request in connection therewith, all in form and substance satisfactory to the Purchasers and their special counsel.

3.2 Except as amended hereby, the Note Purchase Agreement remains unchanged and, as amended hereby, the Note Purchase Agreement remains in full force and effect. The Company hereby reaffirms all of its obligations and undertakings under the Note Purchase Agreement as amended hereby, and the Notes, as amended hereby. All references to the Note Purchase Agreement, the 11.56% Series A Subordinated Notes and the 11.56% Series B Subordinated Notes shall mean the Note Purchase Agreement and such Notes as amended to date and by this Amendment.

3.3 This Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute an agreement, notwithstanding that all of the parties are not signatories on the same date or the same counterpart. A signature page may be detached from one counterpart when executed and attached to another counterpart.

[REMAINDER OF PAGE INTENTIONAL BLANK;
NEXT PAGE IS SIGNATURE PAGE]

Each of the undersigned has caused this Amendment Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner

By: FALCON HOLDING GROUP,
INC., a California corporation, its
managing general partner

By: /s/ Michael K. Menerey
--------------------------
Michael K. Menerey, Executive
Vice President and Chief
Financial Officer

AUER & Co.

By: /s/ S. Michael Jones
-----------------------------
Title:

J. ROMEO & Co.

By: /s/ Jeffrey Knitmeyer
-----------------------------
Title:

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 3.1.1 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY CABLE, L.P.

Each of the undersigned has caused this Amendment Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner
By: FALCON HOLDING GROUP, INC., a
California corporation, its managing
general partner

By: /s/ Michael K. Menerey
---------------------------------------
Michael K. Menerey, Executive Vice
President and Chief Financial Officer

AUER & Co.

By:
-----------------------------
Title:

J. ROMEO & Co.

By:
-----------------------------
Title:

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 3.1.1 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY CABLE, L.P.

Each of the undersigned has caused this Amendment Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP

By: FALCON TELECABLE INVESTORS
GROUP, LTD., a California limited
partnership, its managing general partner
By: FALCON HOLDING GROUP, INC., a
California corporation, its managing
general partner

By:
------------------------------------
Michael K. Menerey, Executive Vice
President and Chief Financial Officer

AUER & Co.

By:
------------------------------------
Title:

J. ROMEO & Co.

By:
------------------------------------
Title:

ACKNOWLEDGED AND CONFIRMED
FOR PURPOSES OF SECTION 3.1.1 HEREOF

FALCON CABLE MEDIA, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON CABLE SYSTEMS COMPANY II,
L.P.
FALCON CABLEVISION, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY CABLE, L.P.

FALCON COMMUNITY VENTURES I
LIMITED PARTNERSHIP
FALCON TELECABLE, A CALIFORNIA
LIMITED PARTNERSHIP
FALCON COMMUNITY INVESTORS, L.P.
FALCON INVESTORS GROUP, LTD., A
CALIFORNIA LIMITED PARTNERSHIP
FALCON MEDIA INVESTORS GROUP, A
CALIFORNIA LIMITED PARTNERSHIP
FALCON TELECABLE INVESTORS GROUP,
A CALIFORNIA LIMITED PARTNERSHIP
FALCON TELECOM, L.P.

By: FALCON HOLDING GROUP, INC.,
as general partner, or general partner of the
general partner of each of the foregoing
companies.

By: /s/ Michael K. Menerey
---------------------------------
Michael K. Menerey, Executive Vice
President and Chief Financial Officer

FALCON FIRST, INC.
FALCON FIRST CABLE OF THE SOUTHEAST, INC.
FALCON FIRST HOLDINGS, INC.
FF CABLE HOLDINGS, INC.
FALCON FIRST CABLE OF NEW YORK, INC.
PLATTSBURG CABLEVISION, INC.
AUSABLE CABLE TV, INC.
CEDAR BLUFF CABLEVISION, INC.
EASTERN MISSISSIPPI CABLEVISION, INC.
SCOTTSBORO TV CABLE, INC.
LAUDERDALE CABLEVISION, INC.
SCOTTSBORO CABLEVISION, INC.
ATHENS CABLEVISION, INC.
DALTON CABLEVISION, INC.
MULTIVISION OF COMMERCE, INC.
MULTIVISION NORTHEAST, INC.

By: /s/ Michael K. Menerey
---------------------------------
Michael K. Menerey, Executive
Vice President and Chief Financial Officer

Exhibit 10.20 (c)

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC
12444 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131

_________ __, 1999

Jerald L. Kent
c/o Charter Investment, Inc.
12444 Powerscourt Drive
St. Louis, Missouri 63131

Dear Mr. Kent:

Reference is made to that certain Nonqualified Membership Interest Option Agreement, dated as of February 9, 1999, between you and Charter Communications Holdings, LLC (the "Agreement"), which has been assigned and assumed by Charter Communications Holding Company, LLC ("Charter Holdco"). All capitalized terms used in this letter but not otherwise defined herein have the meanings ascribed thereto in the Agreement, except that references to the Company herein and in the Agreement shall, as a result of the assignment and assumption, be deemed to refer to Charter Holdco.

In connection with the Initial Public Offering of the Public Company, you and Charter Holdco agree that the Agreement shall be amended as follows:

1. Section 7 of the Agreement is hereby amended and restated in its entirety as follows:

COMPLIANCE WITH SECURITIES AND OTHER LAWS. In no event shall the Company be required to sell, issue or deliver Membership Interests pursuant to this Option if in the opinion of the Company, based upon the written opinion of counsel, the issuance thereof would constitute a violation by either Optionee or the Company of any provision of any law or regulation of any governmental authority or any securities exchange. Notwithstanding the foregoing, Optionee and Optionee's counsel shall have reasonable opportunity to discuss with the Company and its counsel any such potential violation prior to such determination by the Company. As a condition of any sale or issuance of Membership Interests pursuant to this Option, the Company may place legends on the certificates representing the Membership Interests, issue stop-transfer orders and require such agreements or undertakings from Optionee as the Company may deem necessary or advisable to assure compliance with any such law or regulation, including, if the Company or its counsel deems it appropriate, representations from Optionee that Optionee is acquiring the Membership Interests solely for investment and not with a view to distribution and that no distribution of the Membership Interests acquired by Optionee will be made unless registered pursuant to applicable federal and state securities laws or unless, in the opinion of counsel to the Company, such registration is unnecessary.

2. Subsections 10(c) and 10(d) are each hereby amended by adding the following immediately prior to clause (ii) of each subsection, before the semicolon: "provided, however, that in the event the Company shortens the exercise period, Optionee shall have the right to exercise the Option by a cashless exercise method to be agreed upon by the Company and Optionee."

3. Section 11 is amended by adding the definitions of "Exchange Agreement" and "Public Company Value" and replacing the definition of "Fair Market Value," as follows:

"Exchange Agreement" means that certain Exchange Agreement, dated as of _______ __, 1999, by and among the Public Company, CCI (now Charter Investment, Inc.), Vulcan Cable III Inc. and Allen.

"Fair Market Value" means the fair market value of the Company as determined by the Company using the following formula:

(1) As of the occurrence of a Trigger Event prior to an Initial Public Offering, the excess of (a) 13.7 times the projected cash flow of the Company for the year succeeding the year in which such Fair Market Value determination is made (as established in the budget for the Company, approved by the Company's Board, or in the event no such budget has as of the date of the Trigger Event been approved by the Board, as established by the Board within thirty (30) days of any such Trigger Event, taking into account the most recent forecasts for the Company) including all future acquisitions by the Company to the extent of its interests for its fiscal year following the year in which the Trigger Event occurs, over (b) the debt of the Company as reflected in its financial statements or in such budget.

(2) From and after the consummation of an Initial Public Offering, "Fair Market Value" shall mean (a) the Public Company Value, divided by (b) the Percentage Interest of the Company represented by the Public Company's Membership Interest."

"Public Company Value" means either (a) if the conditions set forth in Sections 2.2.1 and 2.2.2 of the Exchange Agreement are satisfied, (x) the Share Value, multiplied by (y) the total number of outstanding shares of common stock of the Public Company, assuming the exercise of all options, warrants or other similar rights held by any person to purchase common stock of the Public Company; or (b) if the conditions set forth in Sections 2.2.1 and 2.2.2 of the Exchange Agreement are not satisfied, the amount that would be distributed to the Public Company upon the liquidation of the Company, as calculated in accordance with Section 2.3(b) of the Exchange Agreement."

Except as otherwise set forth in this letter, the Agreement remains unchanged and in full force and effect. This letter may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

By signing below, Charter Communications, Inc. agrees to be bound by the terms of the Agreement that may be applicable to it, including, without limitation, the obligation to issue common stock arising out of Section 9 of the Agreement, which requires Membership Interests held as a result of an exercise of the Option to be exchanged automatically into common stock of the Public Company.

Very truly yours,

CHARTER COMMUNICATIONS HOLDING
COMPANY, LLC

By:___________________________
Name:
Title:

ACCEPTED AND AGREED:

_____________________________
Jerald L. Kent

CHARTER COMMUNICATIONS, INC.

By:__________________________
Name:
Title:

Exhibit 10.37

August 16, 1999

$1,200,000,000 Credit Facilities
Commitment Letter

Charter Investment, Inc.
12444 Powerscourt Drive, Suite 100
St. Louis, Missouri 63131

Attention: Kent Kalkwarf

Ladies and Gentlemen:

Charter Investment, Inc. ("Charter") has advised Chase Securities Inc. ("CSI"), The Chase Manhattan Bank ("Chase"), Banc of America Securities LLC ("BOA Securities"), Bank of America, N.A. ("BOA"), TD Securities (USA) Inc. ("TD Securities") and Toronto Dominion (Texas), Inc. ("Toronto Dominion") that its affiliate, CC VI Operating, LLC (the "Borrower"), wishes to obtain $1,200,000,000 of credit facilities (the "Credit Facilities") in connection with the acquisition (the "Acquisition") by a wholly owned subsidiary of the Borrower of certain assets of TWFanch-one Co., TWFanch-two Co. and other affiliate interests (the "Fanch Systems"). As used herein, (i) "Lead Banks" is the collective reference to Chase, BOA and Toronto Dominion, (ii) "Commitment Parties" is the collective reference to each party hereto other than Charter and (iii) "Pro Rata Facilities" is the collective reference to the Tranche A Term Facility and the Revolving Facility (as each such term is defined in the Term Sheet referred to below). The proceeds of the Credit Facilities will be used to finance the Acquisition, to pay related fees and expenses and for other general purposes.

Each of the relevant Commitment Parties is pleased to advise you that it is willing to act in the titled capacities identified in the Term Sheet in respect of the Credit Facilities, and each will, in such capacities, perform the duties and exercise the authority customarily performed and exercised by it in such roles. Such duties shall, in the case of the Joint Lead Arrangers (as defined in the Term Sheet), include the use of commercially reasonable efforts to assemble a syndicate of financial institutions identified by us in consultation with you (together with the Lead Banks, the "Lenders") to provide the necessary commitments for the Credit Facilities. You agree that no other agents, co-agents or arrangers will be appointed and no other titles will be awarded in connection with the Credit Facilities (except as otherwise provided in the Term Sheet) unless you and we shall so agree. You further agree to promptly inform each of Loan Pricing Corporation and Securities Data Corp. that any institution (other than Citibank, N.A.) serving as Documentation Agent shall not be entitled to receive league table credit in connection with the Credit Facilities.

Each Lead Bank is pleased to advise you of its commitment to provide $75,000,000 of the Pro Rata Facilities, with each such commitment being allocated pro rata between the Pro Rata Facilities. The Statement of Terms and Conditions attached as Exhibit A hereto (the "Term Sheet") sets forth the principal terms and conditions on and subject to which each Lead Bank is willing to make available its portion of the Pro Rata Facilities. The commitment of each Lead Bank hereunder is several and not joint. In addition, it is a condition to each Lead Bank's commitment hereunder that the portion of the Credit Facilities not being provided by such Lead Bank shall be provided by the other Lenders.

We intend to commence syndication efforts immediately, and you agree actively to assist us in completing a syndication satisfactory to us. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit materially from the existing lending relationships of Charter and its affiliates, (b) direct contact between the proposed Lenders and senior management and advisors of Charter and its affiliates (coordinated through the Joint Lead Arrangers), (c) assistance in the preparation of a Confidential Information Memorandum and other marketing materials to be used in connection with the syndication and (d) the hosting, with us, of one or more conference calls or meetings with prospective Lenders.

We will manage all aspects of the syndication, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the allocations of the commitments among the Lenders and the amount and distribution of fees among the Lenders, in each case in consultation with you. To assist us in our syndication efforts, you agree promptly to prepare and provide to us all information with respect to the Fanch Systems, the Acquisition and the transactions contemplated hereby, including all financial information and projections (the "Projections"), as we may reasonably request in connection with the arrangement and syndication of the Credit Facilities. You hereby represent and covenant that (a) to the best of your knowledge, all information other than the Projections (the "Information") that has been or will be made available to any of us by you or any of your representatives, as supplemented from time to time prior to the Closing Date (as such term is defined in the Term Sheet), shall be complete and correct in all material respects and does not or will not, as so supplemented, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to any of us by you or any of your representatives have been or will be prepared in good faith based upon reasonable assumptions, it being recognized by the Commitment Parties that the Projections are not to be viewed as fact and that actual results during the period or periods covered by the Projections may differ from the projected results set forth therein by a material amount. You understand that in arranging and syndicating the Credit Facilities we may use and rely on the Information and Projections without independent verification thereof.

As consideration for our commitments hereunder and our agreements to perform the services described herein, you agree to pay to us the nonrefundable fees as set forth in the Term Sheet and in the fee letter dated the date hereof and delivered herewith (the "Fee Letter"). As used herein, the term "Fee Letter" shall be deemed to include any separate letter agreement with the Administrative Agent (as defined in the Term Sheet) relating to administration fees.

We shall be entitled, with your consent (which shall not be unreasonably withheld), to change the pricing, terms and structure of the Credit Facilities if we determine that such changes are advisable to insure a successful syndication of the Credit Facilities. Each commitment hereunder is subject to the agreements in this paragraph. The agreements in this paragraph shall survive the closing of the Credit Facilities until the Credit Facilities have been successfully syndicated.

Each Commitment Party's commitment hereunder and agreement to perform the services described herein are subject to (i) such Commitment Party's completion of and satisfaction in all respects with a due diligence investigation of the Fanch Systems, (ii) there not occurring or becoming known to such Commitment Party any change, occurrence or development that could reasonably be expected to have a material adverse effect on the business, operations, property or condition (financial or otherwise) of the Fanch Systems, (iii) such Commitment Party not becoming aware after the date hereof of any information or other matter (including any matter relating to financial models and underlying assumptions relating to the Projections) that in such Commitment Party's judgment is inconsistent in a material and adverse manner with any information or other matter disclosed to such Commitment Party prior to the date hereof, (iv) there not having occurred a material disruption of or material adverse change in conditions in the financial, banking or capital markets that, in such Commitment Party's judgment, could impair the syndication of the Credit Facilities, (v) such Commitment Party's satisfaction that prior to and during the syndication of the Credit Facilities, except as otherwise agreed by the Lead Banks, there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of Charter or any of its affiliates (other than (a) the contemplated credit facilities for Avalon Cable LLC so long as the syndication thereof is coordinated with the syndication of the Credit Facilities in a manner reasonably satisfactory to the Lead Banks and (b) the contemplated credit facility for Paul G. Allen so long as the Borrower uses its commercially reasonable efforts to cause the syndication thereof to be coordinated with the syndication of the Credit Facilities in a manner reasonably satisfactory to the Lead Banks), (vi) the rating of the Credit Facilities by Standard & Poor's Ratings Services and Moody's Investors Service, Inc., (vii) the negotiation, execution and delivery on or before March 1, 2000 of definitive documentation with respect to the Credit Facilities satisfactory to such Commitment Party, and (viii) the other conditions set forth or referred to in the Term Sheet. The terms and conditions of each Lead Bank's commitment hereunder and of the Credit Facilities are not limited to those set forth herein and in the Term Sheet. Those matters that are not covered by the provisions hereof and of the Term Sheet are subject to the approval and agreement of each Commitment Party and the Borrower.

You agree (a) to indemnify and hold harmless the Commitment Parties, their affiliates and their respective officers, directors, employees, advisors, and agents (each, an "indemnified person") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Credit Facilities, the use of the proceeds thereof, the Acquisition or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto, and to reimburse each indemnified person upon demand for any legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of such indemnified person, and (b) to reimburse the Commitment Parties and their affiliates on demand for all reasonable out-of-pocket expenses (including due diligence expenses, syndication expenses, rating agency fees and expenses, and reasonable fees, charges and disbursements of counsel) incurred directly in connection with the Credit Facilities and any related documentation (including this Commitment Letter and the definitive financing documentation) or the administration, amendment, modification or waiver thereof. No indemnified person shall be liable for any damages arising from the unauthorized interception by others of Information or other materials obtained through electronic, telecommunications or other information transmission systems or for any special, indirect, consequential or punitive damages in connection with the Credit Facilities.

You acknowledge that each Lead Bank and its affiliates (the term "Lead Bank" as used below in this paragraph being understood to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. No Lead Bank will use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or its other relationships with you in connection with the performance by such Lead Bank of services for other companies, and no Lead Bank will furnish any such information to other companies. You also acknowledge that no Lead Bank has any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained from other companies.

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This Commitment Letter shall not be assignable by you without the prior written consent of each Commitment Party (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto and the Borrower and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto and the Borrower. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and each Commitment Party. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Term Sheet or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to the officers, agents and advisors of Charter and the Borrower who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us prior thereto), provided that the foregoing restrictions shall cease to apply (except in respect of the Fee Letter and its terms and substance) after this Commitment Letter has been accepted by you.

Each Commitment Party agrees to keep confidential all non-public information provided to it by you pursuant to the transactions described herein that is designated by you as confidential; provided that the foregoing shall not prevent any Commitment Party from disclosing any such information (a) on a confidential basis, to any prospective Lender or any affiliate of any prospective Lender, (b) to the officers, agents and advisors of such Commitment Party who are directly involved in the consideration of this matter, (c) to rating agencies in connection with the rating of the Credit Facilities or (d) as may be compelled in a judicial or administrative proceeding or as otherwise required by law or by regulatory authorities (in which case such Commitment Party agrees to inform you prior thereto). We understand that you have asked us to regard as confidential all non-public information previously provided to the Commitment Parties, other than general information regarding the cable television industry.

The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or any of the commitments hereunder, provided that the immediately preceding paragraph shall be superseded by the definitive documentation for the Credit Facilities.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet and the Fee Letter by returning to us executed counterparts hereof and of the Fee Letter, not later than 7:00 p.m., New York City time, on August 16, 1999. This offer will automatically expire at such time in the event we have not received such executed counterparts in accordance with the immediately preceding sentence.

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We are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

| | |
|---|---|
| CHASE SECURITIES INC. | THE CHASE MANHATTAN BANK |
| By /s/ Peter Hooker | By /s/ Laurie B. Perper |
| Name: Peter Hooker | Name: Laurie B. Perper |
| Title: Vice President | Title: Vice President |
| BANC OF AMERICA SECURITIES LLC | BANK OF AMERICA, N.A. |
| By /s/ Barbara P. Jorgensen | By /s/ Jennifer Zydney |
| Name: Barbara P. Jorgensen | Name: Jennifer Zydney |
| Title: Principal | Title: Managing Director |
| TD SECURITIES (USA) INC. | TORONTO DOMINION (TEXAS), INC. |
| By /s/ Amy G. Josephson | By /s/ Jano Mott |
| Name: Amy G. Josephson | Name: Jano Mott |
| Title: Vice President & Director | Title: Vice President |

Accepted and agreed to as of
the date first above written:

CHARTER INVESTMENT, INC.

By /s/ Eloise A. Engman

Name: Eloise A. Engman
Title: Vice President

EXHIBIT A

$1,200,000,000 CREDIT FACILITIES
FANCH OPERATING COMPANY

Summary of Proposed Terms and Conditions

Set forth below is a summary of proposed terms and conditions for credit facilities to be obtained by CC VI Operating, LLC (the "Borrower"), a subsidiary of Charter Communications, Inc., in connection with the acquisition (the "Acquisition") by a wholly owned subsidiary of the Borrower of certain assets of TWFanch-one Co., TWFanch-two Co. and other affiliate interests (the "Fanch Systems").

I Parties

Borrower: CC VI Operating, LLC (the "Borrower").

Guarantors: The holding company parent of the Borrower ("Holdings") and each of the Borrower's direct and indirect domestic subsidiaries, other than foreign subsidiaries and "non-recourse" subsidiaries (collectively, the "Guarantors"; the Borrower and the Guarantors, collectively, the "Loan Parties").

Joint Lead Arrangers and Joint Book Managers: Chase Securities Inc. ("CSI") and Banc of America Securities LLC ("BOA Securities") (in such capacity, the "Joint Lead Arrangers").

Administrative Agent: Toronto Dominion (Texas), Inc. (in such capacity, the "Administrative Agent").

Syndication Agents: CSI and BOA Securities (in such capacity, the "Syndication Agents").

Documentation Agent: Citibank, N.A. (in such capacity, the "Documentation Agent").

Lenders: A syndicate of banks, financial institutions and other entities selected in the syndication process (collectively, the "Lenders").

II Types and Amounts of Facilities

1. Term Facilities

Amount and Tenor: Tranche A Term Facility: An 8-1/2 year term loan facility (the "Tranche A Term Facility") in an aggregate principal amount equal to $400,000,000 (the loans thereunder, the "Tranche A Term Loans"). The Tranche A Term Loans shall be repayable in quarterly installments in aggregate amounts for each Loan Year (expressed as a percentage of the aggregate amount borrowed) as set forth below:

| Loan Year | Amount |
|---|---|
| 1, 2 and 3 | 0% |
| 4 | 10.0% |
| 5 | 15.0% |
| 6 | 15.0% |
| 7 | 20.0% |
| 8 | 25.0% |
| 8-1/2 | 15.0% |

Tranche B Term Facility: A 9-year term loan facility (the "Tranche B Term Facility") in an aggregate principal amount equal to $450,000,000 (the loans thereunder, the "Tranche B Term Loans"). The Tranche B Term Loans shall be repayable in nominal quarterly installments commencing in Loan Year 4 aggregating, during each Loan Year, 1% of the original aggregate principal amount of the Tranche B Term Loans, with a final installment equal to the remaining outstanding aggregate principal amount of the Tranche B Term Loans.

In addition to the foregoing, the Credit Documentation (as defined below) will provide for a term loan facility (the "Incremental Term Facility") in an aggregate principal amount of up to $300,000,000 (the loans thereunder, the "Incremental Term Loans" and, together with the Tranche A Term Loans and Tranche B Term Loans, the "Term Loans"). The Incremental Term Loans shall be repayable in nominal installments (not exceeding, in any 12-month period, 1% of the initial aggregate principal amount of the Incremental Term Loans) until the date that is six months after the final maturity of the Tranche B Term Loans. The Incremental Term Facility shall not initially be effective but may be activated, in whole or in part, subject to certain limits, at any time at the request of the Borrower with consent required only from those Lenders (including new Lenders that are reasonably acceptable to the Administrative Agent) that agree, in their sole discretion, to participate in such Term Facility.

In the event that the Term Loans are optionally prepaid or the Revolving Facility (as defined below) is optionally permanently reduced, up to $150,000,000 of the amount so prepaid or reduced may be applied to increase the $300,000,000 of incremental capacity described above.

The Borrower may choose to utilize up to $150,000,000 of this incremental capacity to instead increase the amount of the Tranche A Term Facility and/or the Revolving Facility, so long as such incremental utilization is added to the scheduled amortization or reductions thereof on a pro rata basis.

No Lender shall have any commitment to provide the increases described above. Accordingly, the availability of such increases shall be subject to the agreement, in their sole discretion, of existing and new Lenders to provide such increases.

Availability: The Tranche A Term Loans and Tranche B Term Loans shall be made in a single drawing on the Closing Date; provided that up to $250,000,000 of the Tranche A Term Loans may be made in an additional drawing after the Closing Date and prior to the earlier of (i) the three-month anniversary of the Closing Date and (ii) March 31, 2000.

Purpose: The proceeds of the Term Loans shall be used to finance the Acquisition and for general purposes, including to finance permitted acquisitions.

2. Revolving Facility

Amount and Tenor: 8-1/2 year reducing Revolving Facility (the "Revolving Facility"; the commitments thereunder, the "Revolving Commitments"; the Revolving Facility and the Term Facilities, collectively, the "Credit Facilities") in the amount of $350,000,000 (the loans thereunder, together with (unless the context otherwise requires), the Swingline Loans referred to below, the "Revolving Loans"). The Revolving Commitments shall be permanently reduced on each anniversary of the Closing Date set forth below in the amount (expressed as a percentage of the aggregate amount thereof) set forth opposite such anniversary:

| Anniversary | Reduction |
|---|---|
| 5 | 10.0% |
| 6 | 15.0% |
| 7 | 30.0% |
| 8 | 30.0% |
| 8-1/2 | 15.0% |

The extensions of credit under the Revolving Facility shall be prepaid or cash collateralized to the extent that the aggregate amount thereof exceeds the aggregate commitments under the Revolving Facility as so reduced.

Availability: The Revolving Facility shall be available on a revolving basis during the period commencing on the Closing Date and ending on the date that is 8-1/2 years after the Closing Date (the "Revolving Termination Date").

Letters of Credit: A portion of the Revolving Facility not in excess of an amount to be agreed upon shall be available for the issuance of letters of credit (the "Letters of Credit") by the Administrative Agent or any other Lender under the Revolving Facility, subject to its agreement to act in such capacity (each, in such capacity, an "Issuing Lender"). No Letter of Credit shall have an expiration date after the earlier of (a) one year after the date of issuance and (b) five business days prior to the Revolving Termination Date, provided that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (b) above). Each Letter of Credit shall be in a minimum face amount of $500,000 unless otherwise agreed by the Administrative Agent and the relevant Issuing Lender.

Drawings under any Letter of Credit shall be reimbursed by the Borrower (whether with its own funds or with the proceeds of Revolving Loans) on the same business day. To the extent that the Borrower does not so reimburse the relevant Issuing Lender, the Lenders under the Revolving Facility shall be irrevocably and unconditionally obligated to reimburse such Issuing Lender on a pro rata basis.

Swingline Loans: A portion of the Revolving Facility not in excess of $25,000,000 shall be available for swing line loans (the "Swingline Loans") from the Administrative Agent on same-day notice. Any such Swingline Loans will reduce availability under the Revolving Facility on a dollar-for-dollar basis. Each Lender under the Revolving Facility shall acquire, under certain circumstances, an irrevocable and unconditional pro rata participation in each Swingline Loan.

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| Maturity: | The Revolving Termination Date. |
| Purpose: | The proceeds of the Revolving Loans shall be used for general purposes, including permitted acquisitions. |

III. Certain Payment Provisions

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|---|---|
| Fees and Interest Rates: | As set forth on Annex I. |
| Optional Prepayments and Commitment Reductions: | Loans may be prepaid and commitments may be reduced in specified minimum amounts. Optional prepayments of the Term Loans shall be applied pro rata to the Tranche A Term Loans, the Tranche B Term Loans and the Incremental Term Loans, and ratably to the respective installments thereof, except as otherwise provided below under "Mandatory Prepayments". Optional reductions of the Revolving Commitments shall be applied ratably to the scheduled reductions thereof. Optional prepayments of the Term Loans may not be reborrowed. |
| Mandatory Prepayments: | The Term Loans shall be prepaid with 100% of the net proceeds of any sale or other disposition (including as a result of casualty or condemnation) by the Borrower or any of its subsidiaries of any assets, excluding permitted asset exchanges where no cash consideration is received, sales of inventory or obsolete or worn-out property in the ordinary course of business and certain other exceptions, including an exclusion for the first $10,000,000 of such proceeds received after the Closing Date. Proceeds described in this paragraph shall not be required to be applied to make prepayments if (i) the Borrower identifies a potential acquisition of assets in a permitted line of business and notifies the Administrative Agent in writing of such acquisition within 12 months of the relevant disposition and (ii) such identified acquisition is consummated within 18 months of such disposition. |
| | Mandatory prepayments of the Term Loans shall be applied pro rata to the Tranche A Term Loans, the Tranche B Term Loans and the Incremental Term Loans, and ratably to the respective installments thereof. Notwithstanding the foregoing, so long as any Tranche A Term Loans are outstanding, each holder of Tranche B Term Loans or Incremental Term Loans shall have the right to refuse all or any portion of such prepayment allocable to it, and 50% of the amount so refused will be applied to prepay the Tranche A Term Loans, with the remaining 50% being retained by the Borrower. The Borrower shall also have the option, in its sole discretion, to offer such refusal rights in connection |

with optional prepayments. Mandatory prepayments of the Term Loans may not be reborrowed.

IV. Collateral

The obligations of each Loan Party in respect of the Credit Facilities, any interest rate protection agreements in respect thereof provided by any Lender (or any affiliate of a Lender) and any letters of credit provided by any Lender (or any affiliate of a Lender) outside of the Credit Facilities (subject, in the case of such letters of credit, to the limit referred to below) shall be secured by a perfected first priority security interest in all equity interests or intercompany obligations held by Holdings or any of its subsidiaries (limited to equity interests and intercompany obligations of the Borrower in the case of pledges made by Holdings and 66% of the equity interests of foreign subsidiaries).

V. Certain Conditions

Initial Conditions:

The initial funding under the Credit Facilities shall be subject to the satisfaction of the following conditions (the date upon which such conditions are satisfied, the "Closing Date").

(a) Each Loan Party shall have executed and delivered satisfactory definitive credit documentation (the "Credit Documentation").

(b) The Acquisition shall have been consummated and the debt assumed or retained by Borrower and its subsidiaries in connection therewith shall not exceed an amount to be agreed upon.

(c) The Lenders, the Administrative Agent and the Joint Lead Arrangers shall have received all fees required to be paid, and all expenses for which invoices have been presented, on or before the Closing Date.

(d) All material governmental and third party approvals necessary in connection with the financing contemplated hereby shall have been obtained and be in full force and effect.

(e) The Lenders shall have received (i) the unaudited financial statements of the Fanch Systems for the fiscal year ended December 31, 1998 and the fiscal quarter ended June 30, 1999 and (ii) all other available audited and unaudited financial statements for the entities holding assets included in the Fanch Systems for the most recent fiscal quarter or fiscal year, as the case may be, for which such financial statements are available.

(f) The Lenders received shall have received satisfactory projections for the period from the Closing Date through the final maturity of the Term Loans.

(g) All documents and instruments required to perfect the Administrative Agent's first priority security interest in the collateral under the Credit Facilities shall have been executed.

(h) Holdings and its affiliates and subsidiaries shall not be subject to contractual or other restrictions of a material nature that would be violated by the financings contemplated hereby.

(i) The Borrower shall have delivered such legal opinions, documents and other instruments as are customary for transactions of this type.

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| On-Going Conditions: | The making of each extension of credit shall be conditioned upon (a) the accuracy in all material respects of all representations and warranties in the documentation (the "Credit Documentation") with respect to the Credit Facilities (including, without limitation, the material adverse change and litigation representations) and (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit. As used herein and in the Credit Documentation a "material adverse change" shall mean any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and its subsidiaries taken as a whole or (b) the validity or enforceability of any material provision of the Credit Documentation or the rights and remedies of the Administrative Agent and the Lenders thereunder. |
| VI. Certain Documentation Matters | The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other terms deemed appropriate by the Lenders, including, without limitation: |
| Representations and Warranties: | Financial statements (including pro forma financial statements); absence of material undisclosed liabilities; no material adverse change; existence; material compliance with law; power and authority; enforceability of Credit Documentation; no conflict with law or material contractual obligations; no material litigation; no default; ownership of property; liens; intellectual property; taxes; Federal Reserve regulations; ERISA; Investment Company Act; subsidiaries; environmental matters; solvency; labor matters; year 2000 matters; accuracy of disclosure; and creation and perfection of security interests. |
| Affirmative Covenants: | Delivery of quarterly financial statements, reports, annual accountants' "no default" certificate, accountants' letters (if submitted), annual budget, officers' certificates and other information requested by the Lenders; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws and material contractual obligations; maintenance of property and insurance; maintenance of books and records; right of the Lenders to inspect property and books and records; notices of defaults, litigation and other material events; material compliance with environmental laws; further assurances (including, without limitation, with respect to security interests in after-acquired equity interests and intercompany obligations); and agreement to obtain interest rate protection to the extent necessary to provide that at least 50% of the principal amount of term indebtedness of Holdings and its subsidiaries is effectively subject to a fixed rate, on |

terms satisfactory to the Administrative Agent.

Financial Covenants:

Maximum ratio of debt to annualized Operating Cash Flow (the "Leverage Ratio"), with the initial level set at 6.95 to 1.0, subject to periodic stepdowns.

Minimum ratio of Operating Cash Flow to cash interest expense (the "Interest Coverage Ratio"), with the initial level set at 1.50 to 1.0, subject to periodic stepups.

Minimum ratio of annualized Operating Cash Flow to pro forma debt service (the "Debt Service Coverage Ratio") of 1.25 to 1.0.

As used herein, "Operating Cash Flow" refers to operating cash flow of the Borrower and its consolidated subsidiaries.

For the purposes of the financial covenants, (i) all calculations will be made with respect to the Borrower and its consolidated subsidiaries, (ii) Operating Cash Flow for the purposes of the Interest Coverage Ratio shall be determined on a rolling four quarter basis, (iii) annualized Operating Cash Flow shall equal Operating Cash Flow for the most recent quarter multiplied by four, (iv) all determinations of Operating Cash Flow shall be made before giving effect to the payment of management fees, (v) cash interest expense shall be determined on a rolling four quarter basis, except that until four fiscal quarters have passed since the Closing Date, such amount shall be determined for the number of full fiscal quarters subsequent to the Closing Date and then annualized, (vi) pro forma debt service shall be determined on the basis of scheduled principal for the four-quarter period commencing after the last day of the most recent fiscal period and historical interest expense calculated in the manner described in clause (v) above and (vii) interest expense shall include distributions made by the Borrower used to pay debt service of any of its affiliates.

Negative Covenants:

Limitations on: (i) indebtedness; (ii) liens; (iii) guarantee obligations; (iv) mergers, consolidations, liquidations and dissolutions; (v) sales of assets; (vi) distributions and other payments in respect of equity interests; (vii) investments, loans and advances; (viii) optional payments and modifications of certain debt instruments; (ix) transactions with affiliates; (x) sale-leasebacks; (xi) changes in fiscal year; (xii) negative pledge clauses and clauses restricting subsidiary distributions; (xiii) changes in lines of business; (xiv) certain intercompany transactions (primarily relating to corporate separateness and tax sharing arrangements); and (xv) changes in passive holding company status of Holdings and the Borrower. Only those negative covenants described in clauses (i), (ii), (iii), (iv), (x), (xii), (xiv) and (xv) above will apply to Holdings.

The negative covenants shall be subject to various exceptions, including the following:

(a) The Borrower will be permitted to incur unsecured indebtedness having no scheduled amortization prior to the date that is one year after the final maturity of the Term Loans so long as (i) both before and after giving effect to the incurrence thereof, no default (including, on a pro forma basis, under the financial covenants) shall be in effect, (ii) both before and after giving effect to the incurrence thereof, the Interest Coverage Ratio is greater than 1.75 to 1.0, (iii) no subsidiary of the Borrower will be permitted to guarantee such indebtedness and (iv) the covenants and default provisions applicable to such indebtedness shall be no more restrictive than those applicable to the Credit Facilities.

(b) The Borrower may issue subordinated notes to Paul G. Allen and his affiliates on terms customary for intercompany subordinated debt, for the purpose of financing acquisitions by the Borrower and its subsidiaries, and such notes may be prepaid with Loans or indebtedness of the type described in clause (a) above.

(c) The Borrower and its subsidiaries may obtain letters of credit outside of the Credit Facilities (secured by the same collateral that secures the Credit Facilities) in an aggregate face amount of up to an amount to be agreed upon.

(d) So long as no default shall be in existence or would result therefrom, the Borrower and its subsidiaries will be permitted to (i) consummate asset swaps for fair market value, so long as the assets received are held by the Borrower or any of its wholly owned subsidiaries, and (ii) consummate asset dispositions not exceeding, in the aggregate, 30% per annum of Operating Cash Flow during any one-year period or 50% of Operating Cash Flow during the term of the Credit Facilities. In addition, dispositions of assets acquired after the Closing Date shall be permitted, and shall be disregarded for the purposes of the limitations set forth in the preceding sentence, so long as (i) a definitive agreement to consummate such disposition is executed no later than twelve months after the relevant assets are acquired and (ii) such disposition is consummated within eighteen months after the relevant assets are acquired.

(e) Cable systems may be contributed to joint ventures constituting "non-recourse" subsidiaries so long as (i) such disposition is permitted pursuant to clause (d) above, (ii) both before and after giving effect thereto, no default (including, on a pro forma basis, under the financial covenants) shall be in effect, (iii) after giving effect thereto, the Leverage Ratio shall be equal to or lower than the Leverage Ratio in effect immediately prior thereto, (iv) no operating cash flow or indebtedness of such joint venture shall be included for the purposes of calculating Operating Cash Flow or indebtedness of the Borrower and its subsidiaries and (v) the equity interest received in connection therewith shall be pledged as collateral. Non-recourse subsidiaries shall not be subject to the covenants contained in the Credit Documentation.

(f) Up to $150,000,000 may be expended (with assumption of debt being included as an expenditure) in connection with acquisitions of cable systems (including through purchases of 100% of the equity interests of any entity whose assets consist of cable systems), in each case subject to pro forma compliance with the financial covenants (provided that such limit will not apply if either (i) both before and after giving effect to an acquisition, the Interest Coverage Ratio is greater than 1.75 to 1 or (ii) the relevant acquisition is financed with the proceeds of a capital contribution made directly or indirectly by Paul G. Allen).

(g) So long as no default shall be in existence or would result therefrom, the Borrower may make distributions to any direct or indirect parent of the Borrower for the purpose of paying interest on any notes issued by such parent (to the extent required to be paid in cash) so long as (i) the net proceeds thereof were used by such parent to make investments in affiliates that operate businesses comparable to those in which the Borrower is engaged and (ii) after giving effect to any such dividend, the Interest Coverage Ratio is greater than 1.75 to 1.0 (provided that this clause (ii) shall not be applicable if the proceeds of such notes were contributed to the Borrower).

(h) So long as no default shall be in existence or would result therefrom, the Borrower may make distributions for any purpose so long as, after giving effect to any such dividend, the Leverage Ratio is less than 4.0 to 1.0.

(i) So long as no default shall be in existence or would result therefrom, the Borrower may pay, or may make distributions to Holdings to pay, up to 1.0% of the aggregate enterprise value of permitted Investments to certain affiliates.

(j) So long as no default shall be in existence or would result therefrom, up to 3.50% of annual revenues may be paid by the Borrower in respect of management fees. The Borrower may also pay any unused amounts in subsequent years, subject to specified limitations. The Borrower's obligation to pay such management fees shall be contractually subordinated to its obligation to repay the Loans.

(k) Holdings shall be permitted to incur any indebtedness, so long as such indebtedness has no scheduled amortization prior to the date that is one year after the final maturity of the Credit Facilities.

Events of Default: Nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period to be agreed upon; material inaccuracy of representations and warranties; violation of covenants (subject, in the case of certain affirmative covenants, to a grace period to be agreed upon); cross-default to material indebtedness; bankruptcy events; certain ERISA events; termination or suspension of material licenses; material judgments; actual or asserted invalidity of any guarantee, security document or security interest; and a Change of Control. "Change of Control" shall be defined as (a) the failure of Paul G. Allen (including his estate, heirs and certain other related entities) to maintain a 51% voting and economic interest in the Borrower, provided that, after the consummation of an initial public offering, the economic interest percentage shall be reduced to 25%, (b) the failure of the Borrower to be an indirect subsidiary of Charter Communications Holding Company, LLC, (c) (i) the failure of the Borrower to be a direct wholly owned subsidiary of (x) Holdings, (y) a wholly owned subsidiary of Holdings or (z) a wholly owned subsidiary of a successor to Holdings or (ii) the failure of any such parent referred to in clause (i) above to execute and deliver a guaranty and equity pledge agreement securing the Credit Facilities within a time period to be agreed upon, or (d) a change of control as defined in the documentation governing any material indebtedness of Holdings, the Borrower or any of its subsidiaries.

Voting: Amendments and waivers with respect to the Credit Documentation shall require the approval of Lenders holding more than 50% of the aggregate amount of the Term Loans and Revolving Commitments (with each Lender and its related "approved funds," if any, voting as a single unit), except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount or extensions of the scheduled date of amortization or maturity of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (b) the consent of 100% of the Lenders shall be required with respect to (i) modifications to any of the voting percentages and (ii) releases of material subsidiary Guarantors or all or substantially all of the collateral (other than pursuant to permitted asset dispositions).

Assignments and Participations: The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent and the Borrower (which consent in each case shall not be unreasonably withheld). Non-pro rata assignments shall be permitted. In the case of partial assignments (other than to another Lender or to an affiliate of a Lender), unless otherwise agreed by the Borrower and the Administrative Agent, (i) the minimum assignment amount shall be $5,000,000 and (ii) the minimum amount retained by the assigning Lender shall be $3,000,000 (with the amounts described herein being aggregated in respect of each Lender and its related "approved funds," if any). Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to those matters set forth in clause (a) under "Voting" with respect to which the affirmative vote of the Lender from which it purchased its participation would be required. Pledges of Loans in accordance with applicable law shall be permitted without restriction.

Yield Protection: The Credit Documentation shall contain customary provisions (a) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and from the imposition of or changes in withholding or other taxes and (b) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar

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| | Loan (as defined in Annex I) on a day other than the last day of an interest period with respect thereto. |
| Expenses and Indemnification: | The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Joint Lead Arrangers associated with the syndication of the Credit Facilities and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel to the Administrative Agent) and (b) all out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of one firm of counsel to the Administrative Agent and one additional firm of counsel to the Lenders) in connection with the enforcement of the Credit Documentation.<br><br>The Administrative Agent, the Joint Lead Arrangers and the Lenders (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any losses, claims, damages, liabilities or expenses incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof, except to the extent they are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of the relevant indemnified person. |
| Governing Law and Forum: | State of New York. |
| Counsel to the Administrative Agent and the Joint Lead Arrangers: | Simpson Thacher & Bartlett. |

Interest and Certain Fees

Interest Rate Options:

The Borrower may elect that the Loans comprising each borrowing bear interest at a rate per annum equal to the ABR plus the Applicable Margin or the Eurodollar Rate plus the Applicable Margin, provided, that all Swingline Loans shall bear interest based upon the ABR.

As used herein:

"ABR" means the higher of (i) the rate of interest publicly announced by the Administrative Agent as its prime rate in effect (the "Prime Rate") and (ii) the federal funds effective rate from time to time plus 0.5%.

"Applicable Margin" means the rate determined pursuant to the pricing grid set forth below:

| Leverage Ratio | Applicable Margin for Eurodollar Loans - A/RC | Applicable Margin for Eurodollar Loans - B | Applicable Margin for ABR Loans - A/RC | Applicable Margin for ABR Loans - B |
|---|---|---|---|---|
| greater than 6.75 to 1.0 | 2.25% | 2.75% | 1.25% | 1.75% |
| less than or equal to 6.75 to 1.0 | 2.00% | 2.50% | 1.00% | 1.50% |
| less than or equal to 6.25 to 1.0 | 1.75% | 2.50% | 0.75% | 1.50% |
| less than or equal to 6.00 to 1.0 | 1.50% | 2.25% | 0.50% | 1.25% |
| less than or equal to 5.50 to 1.0 | 1.25% | 2.25% | 0.25% | 1.25% |
| less than or equal to 5.00 to 1.0 | 1.00% | 2.25% | 0% | 1.25% |

"A/RC" refers to the Tranche A Term Loans and the Revolving Facility. "B" refers to the Tranche B Term Loans.

With respect to the pricing grid, (i) pricing corresponding to a Leverage Ratio of less than or equal to 6.25 to 1.0 will not be available until the date (the "Adjustment Date") on which financial statements have been delivered in respect of one full fiscal quarter following the Closing Date and (ii) while an event of default is in existence, pricing shall revert to the highest grid rates.

"Eurodollar Rate" means the rate (adjusted for statutory reserve requirements for eurocurrency liabilities) for eurodollar deposits for a period equal to one, two, three or six months (as selected by the Borrower) appearing on Page 3750 of the Dow Jones Markets screen.

Interest Payment Dates:

In the case of Loans bearing interest based upon the ABR ("ABR Loans"), quarterly in arrears.

In the case of Loans bearing interest based upon the Eurodollar Rate ("Eurodollar Loans"), on the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period.

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| Commitment Fees: | The Borrower shall pay a commitment fee calculated at the rate of 0.375% per annum on the average daily unused portion of the Revolving Facility, payable quarterly in arrears, provided that, from and after the Adjustment Date, such rate shall be reduced to 0.250% per annum at any time when the Leverage Ratio is less than or equal to 6.00 to 1.0 (so long as no event of default is in existence). Swingline Loans shall, for purposes of the commitment fee calculations only, not be deemed to be a utilization of the Revolving Facility. |
| Letter of Credit Fees: | The Borrower shall pay a fee on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans that are Revolving Loans on the face amount of each such Letter of Credit. Such fee shall be shared ratably among the Lenders participating in the Revolving Facility and shall be payable quarterly in arrears.<br><br>A fronting fee equal to 0.25% per annum on the face amount of each Letter of Credit shall be payable quarterly in arrears to the relevant Issuing Lender for its own account. In addition, customary administrative, issuance, amendment, payment and negotiation charges shall be payable to the relevant Issuing Lender for its own account.<br><br>The foregoing pricing provisions apply only to Letters of Credit issued under the Revolving Facility. |
| Default Rate: | At any time when the Borrower is in default in the payment of any amount of principal due under the Credit Facilities, all outstanding Loans shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to the relevant ABR Loans. |
| Rate and Fee Basis: | All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of ABR Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed. |

Exhibit 10.39

September 29, 1999

Charter Communications Holding Company, LLC
12444 Powerscourt Drive, Suite 400
St. Louis, Missouri 63131

Attention: Eloise Engman

Re: Proposed Financing

Ladies and Gentlemen:

Charter Communications Holding Company, LLC ("CHARTER") has advised Bank of Montreal, Chicago Branch ("BANK OF MONTREAL") that in connection with Charter's acquisition (the "ACQUISITION") of all of the membership interests in Avalon Cable LLC, a Delaware limited liability company ("HOLDINGS"), which in turn owns all of the membership interests in Avalon Cable of New England LLC, a Delaware limited liability company ("AVALON NEW ENGLAND"), and Avalon Cable of Michigan LLC, a Delaware limited liability company ("AVALON MICHIGAN"; jointly and severally with Avalon New England (or their respective successors), the "BORROWERS"), the Borrowers wish to obtain $300,000,000 of credit facilities (such credit facilities, as described in the Senior Facilities Term Sheet (the "SENIOR FACILITIES TERM SHEET") attached hereto and incorporated herein by this reference, are the "SENIOR FACILITIES"). The proceeds of the Senior Facilities will be used in connection with the Acquisition, to pay related fees and expenses and for other general purposes.

Bank of Montreal is pleased to advise you that it is willing to act as the lead arranger and administrative agent (in such capacity, "ADMINISTRATIVE AGENT") for the Lenders in respect of the Senior Facilities, and will perform the duties and exercise the authority customarily performed and exercised by it in such roles. Such duties shall include the use of commercially reasonable efforts to assemble a syndicate of financial institutions other than Bank of Montreal identified by us in consultation with you (together with Bank of Montreal, the "LENDERS") to provide the necessary commitments for the Senior Facilities. You agree that no other agents, co-agents or arrangers will be appointed and no other titles will be awarded in connection with the Senior Facilities (except as otherwise provided in the Senior Facilities Term Sheet) unless you and we shall so agree. You further agree to promptly inform each of Loan

Pricing Corporation and Securities Data Corp. that Mercantile Bank shall not be entitled to receive league table credit in connection with the Senior Facilities.

Bank of Montreal is pleased to advise you of its commitment to provide up to $50,000,000 of the entire $300,000,000 of Senior Facilities all subject to the terms and conditions set forth herein. The Senior Facilities Term Sheet sets forth the principal terms and conditions on and subject to which Bank of Montreal is willing to make available its portion of the Senior Facilities. It is a condition to Bank of Montreal's commitment hereunder that the portion of the Senior Facilities not being provided by Bank of Montreal shall be provided by the other Lenders.

We intend to commence syndication efforts immediately, and you agree actively to assist us in completing a syndication satisfactory to us. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit materially from the existing lending relationships of Charter and its affiliates, (b) direct contact between the proposed Lenders and senior management and advisors of Charter and its affiliates, (c) assistance in the preparation of a Confidential Information Memorandum and other marketing materials to be used in connection with the syndication and (d) the hosting, with us, of one or more conference calls or meetings with prospective Lenders.

Bank of Montreal will manage all aspects of the syndication, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the allocations of the commitments among the Lenders and the amount and distribution of fees among the Lenders, in each case in consultation with you. To assist us in our syndication efforts, you have provided to us on or prior to the date hereof certain information (including financial information and financial projections (as supplemented in the manner referred to in this sentence, such financial projections are referred to herein as the "PROJECTIONS")) with respect to the cable systems (collectively, the "SYSTEMS") currently owned by the Borrowers and the transactions contemplated hereby, and you hereby agree promptly to prepare and provide to us all additional information with respect thereto as Bank of Montreal may reasonably request in connection with the arrangement and syndication of the Senior Facilities. You hereby represent and covenant that (a) all information other than the Projections (the "INFORMATION") that has been or will be made available to any of us by you or any of your representatives, as supplemented from time to time prior to the Closing Date (as defined in the Senior Facilities Term Sheet), shall be complete and correct in all material respects and does not or will not, as so supplemented, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to any of us by you or any of your representatives have been or will be prepared in good faith based upon reasonable assumptions, it being recognized by Bank of Montreal that the Projections are not to be viewed as fact and that actual results during the period or periods covered by the Projections may differ from the projected results set forth therein by a material amount. You understand that in arranging and syndicating the Senior Facilities Bank of Montreal may use and rely on the Information and Projections without independent verification thereof.

As consideration for our commitments hereunder and our agreements to perform the services described herein, you agree to pay to us the nonrefundable fees as set forth in the Senior Facilities Term Sheet and in the Fee Schedule (the "FEE SCHEDULE") attached hereto and incorporated herein by reference, in the amounts and at the times set forth therein.

Bank of Montreal shall be entitled, with your consent (which shall not be unreasonably withheld), to change the pricing, terms and structure of the Senior Facilities if Bank of Montreal determines that such changes are advisable to insure a successful syndication of the Senior Facilities. The commitment hereunder is subject to the agreements in this paragraph.

Bank of Montreal's commitment hereunder and agreement to perform the services described herein are subject to (i) Bank of Montreal's completion of and satisfaction in all respects with a due diligence investigation of Holdings, Borrowers and the Systems, (ii) there not occurring or becoming known to Bank of Montreal any change, occurrence or development that could reasonably be expected to have a material adverse effect on the business, operations, property or condition (financial or otherwise) of Holdings, Borrowers and the Systems, (iii) Bank of Montreal not becoming aware after the date hereof of any information or other matter (including any matter relating to financial models and underlying assumptions relating to the Projections) that in Bank of Montreal's judgment is inconsistent in a material and adverse manner with any information or other matter disclosed to Bank of Montreal prior to the date hereof, (iv) there not having occurred a material disruption of or material adverse change in conditions in the financial, banking or capital markets that, in Bank of Montreal's judgment, could impair the syndication of the Senior Facilities, (v) Bank of Montreal's satisfaction that prior to and during the syndication of the Senior Facilities, except as otherwise agreed by Bank of Montreal, there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of Charter, or by any of its affiliates on behalf or in respect of Charter, other than the contemplated credit facilities for CC VI Operating Company, LLC so long as the syndication thereof is coordinated with the syndication of the Senior Facilities in a manner reasonably satisfactory to Bank of Montreal, (vi) the negotiation, execution and delivery on or before March 1, 2000 of definitive documentation with respect to the Senior Facilities satisfactory to Bank of Montreal, and (vii) the other conditions set forth or referred to in the Senior Facilities Term Sheet. The terms and conditions of Bank of Montreal's commitment hereunder and of the Senior Facilities are not limited to those set forth herein and in the Senior Facilities Term Sheet. Those matters that are not covered by the provisions hereof and of the Senior Facilities Term Sheet are subject to the approval and agreement of Bank of Montreal and Borrowers.

You agree (a) to indemnify and hold harmless Bank of Montreal, their affiliates and their respective officers, directors, employees, advisors, and agents (each, an "INDEMNIFIED PERSON") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this letter (this "COMMITMENT LETTER"), the Senior Facilities, the use of the proceeds thereof, the Acquisition or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto, and to reimburse each indemnified person upon demand for any legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of such indemnified person, and (b) to reimburse Bank of Montreal and their affiliates on demand for all reasonable out-of-pocket expenses (including due diligence expenses, syndication expenses, rating agency fees and expenses, and reasonable fees, charges and disbursements of counsel) incurred directly in connection with the Senior Facilities and any related documentation (including this Commitment Letter and the definitive financing documentation) or the administration, amendment, modification or waiver thereof. No indemnified person shall be liable for any damages arising from the unauthorized interception by others of Information or other materials obtained through electronic, telecommunications or other information transmission systems or for any special, indirect, consequential or punitive damages in connection with the Senior Facilities.

You acknowledge that Bank of Montreal and its affiliates (the term "BANK OF MONTREAL" as used below in this paragraph being understood to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. Bank of Montreal shall not use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or its other relationships with you in connection with the performance by Bank of Montreal of services for other companies, and Bank of Montreal will not furnish any such information to other companies. You also acknowledge that Bank of Montreal has no obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained from other companies.

This Commitment Letter shall not be assignable by you without the prior written consent of Bank of Montreal (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto and Borrowers and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto and Borrowers. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and Bank of Montreal. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Senior Facilities Term Sheet or the Fee Schedule nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to the officers, agents and advisors of Charter and Borrowers who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us prior thereto), provided that the foregoing restrictions shall cease to apply (except in respect of the Fee Schedule and its terms and substance) after this Commitment Letter has been accepted by you.

Bank of Montreal agrees to keep confidential all non-public information provided to it by you pursuant to the transactions described herein that is designated by you as confidential; provided that the foregoing shall not prevent Bank of Montreal from disclosing any such information (a) on a confidential basis, to any prospective Lender or any affiliate of any prospective Lender, (b) to the officers, agents and advisors of Bank of Montreal who are directly involved in the consideration of this matter, (c) to rating agencies in connection with the rating of the Senior Facilities or (d) as may be compelled in a judicial or administrative proceeding or as otherwise required by law or by regulatory authorities (in which case Bank of Montreal agrees to inform you prior thereto). We understand that you have asked us to regard as confidential all non-public information previously provided to Bank of Montreal, other than general information regarding the cable television industry.

The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Schedule shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or any of the commitments hereunder, provided that the immediately preceding paragraph shall be superseded by the definitive documentation for the Senior Facilities.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Senior Facilities Term Sheet and the Fee Schedule by returning to us executed counterparts hereof, not later than 5:00 p.m., New York City time, on September 30, 1999. This offer will automatically expire at such time in the event we have not received such executed counterparts in accordance with the immediately preceding sentence.

We are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

BANK OF MONTREAL,
CHICAGO BRANCH

By /s/ Mike Silverman
_____________________________________
Name: Mike Silverman
Title: Director

ACCEPTED AND AGREED TO AS OF
THE DATE FIRST ABOVE WRITTEN:

CHARTER COMMUNICATIONS
HOLDING COMPANY, LLC

By /s/ Eloise Engman
____________________________________
Name: Eloise Engman
Title: Vice President, Finance & Acquisition

FEE SCHEDULE

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| STRUCTURING FEE: | [text omitted pursuant to confidential treatment request and filed separately with the Commission] payable to Bank of Montreal, earned upon the date of your acceptance of the Commitment Letter to which this Fee Schedule is attached and payable on the Closing Date. |
| UPFRONT FEE: | (i) For Administrative Agent and each Co-Arranger (as such terms are defined in the Senior Facilities Term Sheet; each, an "AGENT"), the sum of (x) [text omitted pursuant to confidential treatment request and filed separately with the Commission] multiplied by such Agent's final allocated commitment amount of the Senior Facilities on the Closing Date plus (y) [text omitted pursuant to confidential treatment request and filed separately with the Commission], earned and payable to such Agent on the Closing Date, and (ii) for each Lender (other than the Agents) that commits to provide a portion of the Senior Facilities, a fee to be determined which shall be earned and payable to such Lender on its allocated commitment on the Closing Date. |
| AGENT'S FEE: | [text omitted pursuant to confidential treatment request and filed separately with the Commission] annual fee payable to the Administrative Agent in advance on the Closing Date and each anniversary thereof. |

All fees (or portions thereof), once paid, are non-refundable. Fees set forth above are in addition to any fees, indemnities or reimbursements described in the Senior Facilities Term Sheet or the Commitment Letter. All fees shall be paid to the Administrative Agent for its own account or for distribution, as appropriate, to the other Agents and Lenders, in each case as set forth on this Fee Schedule.

$300,000,000 CREDIT FACILITIES
AVALON CABLE OF NEW ENGLAND LLC
AVALON CABLE OF MICHIGAN LLC

Summary of Proposed Terms and Conditions

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| I. Parties Borrowers: | Avalon Cable of New England LLC, a Delaware limited liability company ("Avalon New England"), and Avalon Cable of Michigan LLC, a Delaware limited liability company ("Avalon Michigan"), or their respective successors, as joint and several borrowers (collectively, the "Borrowers"). |
| Guarantors: | Avalon Cable LLC, a Delaware limited liability company ("Holdings"), and each Borrower's direct and indirect domestic subsidiaries, other than "non-recourse" subsidiaries described in clause (e) under the heading "Negative Covenants" below (collectively, the "Guarantors"; the Borrowers and the Guarantors, collectively, are the "Loan Parties"). |
| Lead Arranger and Book Runner: | Bank of Montreal (in such capacity, "Lead Arranger"). |
| Administrative Agent: | Bank of Montreal (in such capacity, the "Administrative Agent"). |
| Syndication Agents: | First Union National Bank and PNC Bank, National Association (in such capacity, collectively, the "Syndication Agents"). |
| Co-Documentation Agents: | Mercantile Bank and Bank of Montreal (in such capacity, collectively, the "Co-Documentation Agents"). |
| Co-Arrangers: | First Union National Bank, PNC Bank, National Association and Mercantile Bank (in such capacity, collectively, the "Co-Arrangers"). |
| Lenders: | A syndicate of banks, financial institutions and other entities selected in the syndication process (collectively, the "Lenders"). |

II. Types and Amounts of Facilities

1. Term B Facilities

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| Amount and Tenor: | Term B Loan Facility: A 9-year term loan facility (the "Term B Loan Facility") in an aggregate principal amount equal to $125,000,000 (the loans thereunder being the "Term B Loans"). The Term B Loans shall be repayable in quarterly installments in aggregate amounts for each year the Term B Loan Facility is outstanding (expressed as a percentage of the aggregate amount borrowed) as set forth below: |

| Year | Amount |
|---|---|
| 4 | 1.0% |
| 5 | 1.0% |
| 6 | 1.0% |
| 7 | 1.0% |
| 8 | 1.0% |
| 9 | 95.0% |

In addition to the foregoing, the Credit Documentation (as defined below) will provide for additional term loans and/or revolving loan facilities, at the election of Borrowers (collectively, the "Incremental Facility"), in an aggregate principal amount of up to $75,000,000 (the loans thereunder are the "Incremental Loans"). The Incremental Facility shall not initially be effective but may be activated, in whole or in part, subject to certain limits, at any time prior to December 31, 2003 at the request of the Borrowers with consent required only from those Lenders (including new Lenders that are reasonably acceptable to the Administrative Agent and the Borrowers) that agree, in their sole discretion, to participate in such Incremental Facility. In the event that the Term B Loans are optionally prepaid or the Revolving Facility (as defined below) is optionally permanently reduced, up to $37,500,000 of the amount so prepaid or reduced may be applied to increase the $75,000,000 of incremental capacity described above. The Incremental Facility will be governed by the covenants, conditions to borrowing, interest periods, representations and warranties and events of default contained in the Credit Documentation; provided, however, that the weighted average life and final maturity shall not be less than that of the Revolving Facility.

Availability: The Term B Loans shall be made in a single drawing on the Closing Date (as defined below). If the Borrowers have not refinanced (with subordination terms satisfactory to the Lead Arranger) by March 31, 2008 their currently outstanding 9.375% Senior Subordinated Notes due December 1, 2008 (the "Senior Subordinated Notes") or Holdings' 11.875% Senior Discount Notes due December 1, 2008 (the "Senior Discount Notes"), the Term B Loan maturity will be accelerated to June 30, 2008.

Maturity: 9 years from the Closing Date (subject to acceleration as described under the heading "Availability" above).

Purpose: The proceeds of the Term B Loans shall be used in connection with the Acquisition (as defined below) and for general purposes.

2. Revolving Facility

Amount and Tenor: 8-1/2 year reducing revolving loan facility (the "Revolving Facility"; the commitments thereunder are the "Revolving Commitments"; the Revolving Facility, the Term B Facilities and the Incremental Facility, if any, collectively, are the "Credit Facilities") in the amount of $175,000,000 (the loans thereunder, together with (unless the context otherwise requires) the Swingline Loans referred to below, being the "Revolving Loans"). The Revolving Commitments shall be permanently reduced in quarterly installments in the aggregate amounts for each year the Revolving Facility is outstanding (expressed as a percentage of the aggregate amount of the original Revolving Commitments) as set forth below:

| Year | Reduction |
|---|---|
| 4 | 5.0% |
| 5 | 15.0% |
| 6 | 20.0% |
| 7 | 22.0% |
| 8 | 24.0% |
| 8-1/2 | 14.0% |

The extensions of credit under the Revolving Facility shall be prepaid to the extent that the aggregate amount thereof exceeds the aggregate amount of the Revolving Commitments as so reduced. Subject to the terms and conditions described above, Lenders may make available to the Borrowers, at the Borrowers' request, one or more additional revolving loan facilities as part of the Incremental Facility.

Availability: The Revolving Facility shall be available on a revolving basis during the period commencing on the Closing Date and ending on the date that is 8-1/2 years after the Closing Date (subject to the following proviso, the "Revolving Termination Date"), subject to the Borrowers' compliance with the terms and conditions contained herein; provided that if the Borrowers have not refinanced (with subordination terms satisfactory to the Lead Arranger) by March 31, 2008 their currently outstanding Senior Subordinated Notes or Senior Discount Notes, the Revolving Facility shall immediately become due and payable on such date.

Swingline Loans: A portion of the Revolving Facility not in excess of $15,000,000 shall be available for swing line loans (the "Swingline Loans") from the Administrative Agent on same-day notice. Any such Swingline Loans will reduce availability under the Revolving Facility on a dollar-for-dollar basis. Each Lender under the Revolving Facility shall acquire, under certain circumstances, an irrevocable and unconditional pro rata participation in each Swingline Loan.

Maturity: The Revolving Termination Date.

Purpose: The proceeds of the Revolving Loans shall be used in connection with the Acquisition and for general purposes, including permitted acquisitions.

III. Certain Payment Provisions

Fees and Interest Rates: As set forth on Annex I.

Optional Prepayments and Commitment Reductions: Loans may be prepaid on 3 business days' prior written notice in minimum amounts of $500,000 for ABR Loans (as defined in Annex I) and $1,000,000 for Eurodollar Loans (as defined in Annex I). Revolving Commitments may be reduced on 3 business days' prior written notice in minimum amounts of $1,000,000. Optional prepayments and optional commitment reductions of each of the Term B Loan Facility, the

Revolving Facility and the Incremental Facility shall be applied ratably to the respective scheduled installments and scheduled reductions (as applicable) thereof. Optional prepayments of any term loans may not be reborrowed.

Mandatory Prepayments: Loans shall be prepaid with 100% of the net cash proceeds of any sale or other disposition (including as a result of casualty or condemnation) by the Borrowers or any of their respective subsidiaries of any assets, excluding permitted asset exchanges where no cash consideration is received, sales of inventory or obsolete or worn-out property in the ordinary course of business and certain other exceptions. Proceeds described in this paragraph shall not be required to be applied to make prepayments if (i) the Borrowers identify a potential acquisition of assets in a permitted line of business and notify the Administrative Agent in writing of such acquisition within 12 months of the relevant disposition, (ii) such identified acquisition is consummated within 18 months of such disposition, and (iii) if such net cash proceeds arise from insurance settlements, the Borrowers redeploy such net cash proceeds within 270 days of receipt.

Mandatory prepayments and mandatory commitment reductions of each of the Term B Loan Facility, the Revolving Facility and the Incremental Facility shall be applied ratably to the respective scheduled installments and scheduled reductions (as applicable) thereof. Mandatory prepayments of any term loans may not be reborrowed.

IV. Collateral

The obligations of each Loan Party in respect of the Credit Facilities, any interest rate protection agreements in respect thereof provided by any Lender (or any affiliate of a Lender) and any letters of credit provided by any Lender (or any affiliate of a Lender) outside of the Credit Facilities (subject, in the case of such letters of credit, to the limit referred to in clause (c) under the heading "Negative Covenants" below) shall be secured by a perfected first priority security interest in all equity interests or intercompany obligations held by Holdings, the Borrowers or any of the Guarantors (limited to equity interests and intercompany obligations of the Borrowers in the case of pledges made by Holdings and 66% of the equity interests of foreign subsidiaries).

V. Certain Conditions

Initial Conditions: The initial funding under the Credit Facilities shall be subject to the satisfaction of the following conditions (the date upon which such conditions are satisfied being the "Closing Date").

(a) Each Loan Party shall have executed and delivered satisfactory definitive credit documentation (the "Credit Documentation").

(b) The acquisition (the "Acquisition") of Holdings and the Borrowers, and of the cable systems currently owned by the Borrowers, shall have been consummated; the Borrowers shall hold all of such cable systems upon and after consummation of the Acquisition; and the debt assumed or retained by the Borrowers and their respective subsidiaries in connection therewith (other than the Senior Subordinated Notes and the Credit Facilities) shall not exceed an amount to be agreed upon.

(c) The Lenders, the Administrative Agent and the Lead Arranger shall have received all fees required to be paid, and all expenses for which invoices have been presented, on or before the Closing Date.

(d) All material governmental and third party approvals necessary in connection with the financings contemplated by the Credit Facilities shall have been obtained and be in full force and effect.

(e) The Lenders shall have received (i) the audited financial statements of the Borrowers for the fiscal year ended December 31, 1998 and the unaudited financial statements of the Borrowers for the fiscal quarter ended June 30, 1999 and (ii) all other available audited and unaudited financial statements for the Borrowers for the most recent fiscal quarter or fiscal year, as the case may be, for which such financial statements are available.

(f) The Lenders shall have received satisfactory projections for the period from the Closing Date through the final maturity of the Term B Loans.

(g) All documents and instruments required to perfect the Administrative Agent's first priority security interest in the collateral under the Credit Facilities shall have been executed.

(h) Holdings and its affiliates and subsidiaries shall not be subject to contractual or other restrictions of a material nature that would be violated by the financings contemplated hereby.

(i) The Borrowers shall have delivered such legal opinions, documents and other instruments as are customary for transactions of this type.

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| On-Going Conditions: | The making of each extension of credit shall be conditioned upon (a) the accuracy in all material respects of all representations and warranties in the Credit Documentation (including, without limitation, the material adverse change and litigation representations) and (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit. As used herein and in the Credit Documentation, a "material adverse change" shall mean any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrowers and their respective subsidiaries, taken as a whole, or (b) the validity or enforceability of any material provision of the Credit Documentation or the rights and remedies of the Administrative Agent and the Lenders thereunder. |
| VI. Certain Documentation Matters | The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other terms deemed appropriate by the Lenders, including, without limitation: |
| Representations and Warranties: | Financial statements (including pro forma financial statements); absence of material undisclosed liabilities; no material adverse change; existence; material compliance with law; power and authority; enforceability of Credit Documentation; no conflict with law or material contractual obligations; no material litigation; no default; ownership of property; |

liens; intellectual property; taxes; Federal Reserve regulations; ERISA; Investment Company Act; subsidiaries; environmental matters; solvency; labor matters; year 2000 matters; accuracy of disclosure; and creation and perfection of security interests.

Affirmative Covenants: Delivery of unaudited quarterly financial statements within 60 days of quarter end, audited annual financial statements with 120 days of year end, reports, annual accountants' "no default" certificate, accountants' letters (if submitted), subscriber reports, annual budget (within 60 days after the beginning of each fiscal year), officers' certificates and other information requested by the Lenders; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws and material contractual obligations; maintenance of property and insurance; maintenance of books and records; right of the Lenders to inspect property and books and records; notices of defaults, litigation and other material events; material compliance with environmental laws; further assurances (including, without limitation, with respect to security interests in after-acquired equity interests and intercompany obligations); and agreement to obtain interest rate protection to the extent necessary to provide that at least 50% of the principal amount of term indebtedness of Holdings and its subsidiaries is effectively subject to a fixed rate, on terms satisfactory to the Administrative Agent, at all times following the date which is 90 days after the Closing Date during which the Leverage Ratio (as defined below) is greater than 4.50 to 1.00.

Financial Covenants: Maximum ratio of Total Debt (as defined in Annex II) to annualized Operating Cash Flow (as defined in Annex II) (the "Leverage Ratio") as follows:

| Period | Leverage Ratio |
|---|---|
| Closing Date to 12/30/01 | 6.25:1.00 |
| 12/31/01 to 12/30/02 | 6.00:1.00 |
| 12/31/02 to 12/30/03 | 5.50:1.00 |
| 12/31/03 to 12/30/04 | 5.00:1.00 |
| 12/31/04 to 12/30/05 | 4.75:1.00 |
| 12/31/05 and thereafter | 4.50:1.00 |

Maximum ratio of Senior Debt to annualized Operating Cash Flow (the "Senior Leverage Ratio") of 4.75 to 1.00 (such maximum ratio only being required to be complied with until the Leverage Ratio is less than 5:00 to 1.00).

Minimum ratio of Operating Cash Flow to cash interest expense (the "Interest Coverage Ratio") of 1.75 to 1.0.

Minimum ratio of annualized Operating Cash Flow to pro forma debt service (the "Debt Service Coverage Ratio") of 1.25 to 1.0.

For the purposes of the financial covenants, (i) all calculations will be made with respect to the Borrowers and their respective consolidated subsidiaries, (ii) Operating Cash Flow for the purposes of the Interest Coverage Ratio shall be determined on a rolling four-quarter basis,

(iii) annualized Operating Cash Flow shall equal Operating Cash Flow for the most recent quarter multiplied by four, (iv) all determinations of Operating Cash Flow shall be made before giving effect to the payment of management fees, (v) cash interest expense shall be determined on a rolling four-quarter basis, except that until four fiscal quarters have passed since the Closing Date, such amount shall be determined for the number of full fiscal quarters subsequent to the Closing Date and then annualized, (vi) pro forma debt service shall be determined on the basis of scheduled principal for the four-quarter period commencing after the last day of the most recent fiscal period and historical interest expense calculated in the manner described in clause (v) above and (vii) interest expense (including interest expense for purposes of calculating pro forma debt service) shall include distributions made by the Borrowers used to pay debt service of Holdings or any of their respective affiliates, including but not limited to payment of interest on the Senior Discount Notes and payment of the Mandatory Payment of Accrued Interest.

Negative Covenants:

Limitations on: (i) indebtedness; (ii) liens; (iii) guarantee obligations; (iv) mergers, consolidations, liquidations and dissolutions; (v) sales of assets; (vi) distributions and other payments in respect of equity interests and subordinated indebtedness; (vii) investments, loans and advances; (viii) optional payments and modifications of certain debt instruments; (ix) transactions with affiliates; (x) sale-leasebacks; (xi) changes in fiscal year; (xii) negative pledge clauses and clauses restricting subsidiary distributions; (xiii) changes in lines of business; (xiv) certain intercompany transactions (primarily relating to corporate separateness and tax sharing arrangements); and (xv) changes in passive holding company status of Holdings. Only those negative covenants described in clauses (i), (ii), (iii), (iv), (x), (xii), (xiv) and (xv) above will apply to Holdings.

The negative covenants shall be subject to various exceptions, including the following:

(a) The Borrowers will be permitted to incur (i) indebtedness under the Credit Facilities, (ii) unsecured subordinated indebtedness incurred to refinance the Senior Subordinated Notes, so long as such indebtedness has no scheduled amortization prior to the date that is one year after the final maturity of the Credit Facilities, and (iii) additional unsecured indebtedness not exceeding an amount to be determined, so long as (x) both before and after giving effect to the incurrence thereof, no default (including, on a pro forma basis, under the financial covenants) shall be in effect, (y) no subsidiary of any Borrower will be permitted to guarantee such indebtedness and (z) the covenants and default provisions applicable to such indebtedness shall be no more restrictive than those applicable to the Credit Facilities.

(b) The Borrowers may issue subordinated notes to Paul G. Allen and his affiliates on terms customary for intercompany subordinated debt and satisfactory to the Administrative Agent (the "Affiliate Subordinated Debt"), and such Affiliate Subordinated Debt may be prepaid with Loans or indebtedness of the type described in clause (a) above.

(c) The Borrowers and their respective subsidiaries may obtain letters of

credit outside of the Credit Facilities (secured by the same collateral that secures the Credit Facilities) in an aggregate face amount of up to $10,000,000.

(d) So long as no default shall be in existence or would result therefrom, the Borrowers and their respective subsidiaries will be permitted to (i) consummate asset swaps ("Asset Swaps") for fair market value, so long as (x) the assets received are held by the Borrowers or any of their respective wholly owned subsidiaries, and (y) the properties to be swapped do not account for more than 25% of Operating Cash Flow for the preceding 12 months in any one instance or 35% of Operating Cash Flow during the term of the Credit Facilities, and (ii) consummate asset dispositions ("Asset Sales") not exceeding, in the aggregate, 25% of Operating Cash Flow for the preceding 12 months in any one instance or 35% of Operating Cash Flow during the term of the Credit Facilities. Asset Sales and Asset Swaps that are in excess of the respective thresholds require the prior written approval of Required Lenders (as defined below). Asset Sales in excess of $40 million and Asset Swaps of property generating cash flow in excess of 10% of Operating Cash Flow for the preceding 12 months require that the Borrowers submit evidence of pro forma covenant compliance for the contemplated transaction(s). In addition, dispositions of assets acquired after the Closing Date shall be permitted, and shall be disregarded for the purposes of the limitations set forth in the preceding sentences, so long as (i) a definitive agreement to consummate each such disposition is executed no later than twelve months after the relevant assets are acquired and (ii) each such disposition is consummated within eighteen months after the relevant assets are acquired. Excess cash received in any one swap or series of related swaps shall be counted against the limitation on Asset Sales and shall be subject to the same reinvestment provisions. Excess cash paid for any one swap or series of related swaps shall be counted against the limitation on Permitted Acquisitions described in clause (f) below.

(e) Cable systems may be contributed to joint ventures constituting "non-recourse" subsidiaries so long as (i) such disposition is permitted pursuant to clause (d) above, (ii) both before and after giving effect thereto, no default (including, on a pro forma basis, under the financial covenants) shall be in effect, (iii) after giving effect thereto, the Leverage Ratio shall be equal to or lower than the Leverage Ratio in effect immediately prior thereto, (iv) no operating cash flow (except to the extent that dividends are received in cash) or indebtedness of such joint venture shall be included for the purposes of calculating Operating Cash Flow or indebtedness of the Borrowers and their respective subsidiaries and (v) the equity interest received in connection therewith shall be pledged as collateral. Non-recourse subsidiaries shall not be subject to the covenants contained in the Credit Documentation.

(f) Up to $100,000,000 may be expended (with assumption of debt being included as an expenditure) in connection with acquisitions ("Permitted Acquisitions") of cable systems (including through purchases of 100% of the equity interests of any entity whose assets consist of cable systems), in each case subject to pro forma compliance with the financial covenants with pro forma covenant calculations provided for acquisitions in which the amount expended exceeds $40,000,000 (provided that such

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$100,000,000 limit will not apply if either (i) both before and after giving effect to an acquisition, the Interest Coverage Ratio is greater than 2.10 to 1 or (ii) the relevant acquisition is financed with the proceeds of a capital contribution made directly or indirectly by Paul G. Allen). The Borrowers will be required to execute any documentation necessary or advisable to perfect the Lenders' security interest in any new collateral.

(g) So long as no default shall be in existence or would result therefrom, the Borrowers may make distributions to any direct or indirect parent of the Borrowers (i) for the purpose of paying interest (including the Mandatory Payment of Accrued Interest) on any notes issued by such parent (to the extent required to be paid in cash), so long as, after giving effect to any such dividend, the Interest Coverage Ratio is greater than 2.10 to 1.0, (ii) for any purpose so long as, after giving effect to any such dividend, the Leverage Ratio is less than 3.50 to 1.0, (iii) for the purpose of making payments of principal and interest on Affiliate Subordinated Debt, (iv) for the purpose of paying management fees in accordance with the provisions outlined under clause (i) below, (v) for the purpose of paying interest on indebtedness of Holdings (x) incurred to refinance the Senior Discount Notes or (y) the proceeds of which are contributed to the Borrowers, and (vi) for the purpose of paying "pass-through" tax obligations of the holders of equity interests in the Borrowers and Holdings.

(h) So long as no default shall be in existence or would result therefrom, the Borrowers may make and maintain (i) customary cash and cash equivalent investments, (ii) investments in existence on the Closing Date, and (iii) additional investments in an aggregate maximum amount to be determined.

(i) So long as no default shall be in existence or would result therefrom, the Borrowers may pay, or make distributions to Holdings to pay, to certain affiliates in respect of any permitted investment made after the Closing Date up to 1.0% of the aggregate enterprise value of such permitted investment.

(j) So long as no default shall be in existence or would result therefrom, up to 3.50% of annual gross operating revenues may be expensed by the Borrowers in respect of management fees, with up to 2.0% payable in cash with the remainder deferred. Amounts previously deferred may be paid when the Leverage Ratio is less than 4.5 to 1.0, subject to pro forma covenant compliance. The obligation of the Borrowers to pay such management fees shall be contractually subordinated to their obligation to repay the Loans.

(k) Holdings shall be permitted to incur any indebtedness, so long as such indebtedness has no scheduled amortization prior to the date that is one year after the final maturity of the Credit Facilities and either (1) such indebtedness is incurred to refinance the Senior Discount Notes or (2) the proceeds of such indebtedness are contributed to the Borrowers.

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| Events of Default: | Nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period to be agreed upon; material inaccuracy of representations and warranties; violation of covenants (subject, in the |

case of certain affirmative covenants, to a grace period to be agreed upon); cross-default to indebtedness in an aggregate amount in excess of $20,000,000; bankruptcy events; certain ERISA events; termination or suspension of material licenses; material judgments; actual or asserted invalidity of any guarantee, security document or security interest; and a Change of Control. "Change of Control" shall be defined as (a) the failure of Paul G. Allen (including his estate, heirs and certain other related entities) to maintain a 25% economic interest in the Borrowers or to maintain voting control of the Borrowers, (b) the failure of any of the Borrowers to be an indirect subsidiary of Charter Communications Holding Company, LLC, (c) (i) the failure of any of the Borrowers to be a direct wholly owned subsidiary of (x) Holdings, (y) a wholly owned subsidiary of Holdings or (z) a wholly owned subsidiary of a successor Holdings or (ii) the failure of any such parent referred to in clause (i) above to execute and deliver a guaranty and equity pledge agreement securing the Credit Facilities within a time period to be agreed upon.

Voting: Amendments and waivers with respect to the Credit Documentation shall require the approval of Lenders holding more than 50% (the "Required Lenders") of the aggregate amount of the Term B Loans, Revolving Commitments and the loans and unused commitments, if any, under the Incremental Facility (with each Lender and its related "approved funds," if any, voting as a single unit), except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount or extensions of the scheduled date of amortization or maturity of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (b) the consent of 100% of the Lenders shall be required with respect to (i) modifications to any of the voting percentages and (ii) releases of material subsidiary Guarantors or all or substantially all of the collateral (other than pursuant to permitted asset dispositions).

Assignments and Participations: The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent and the Borrowers (which consent in each case shall not be unreasonably withheld). Non-pro rata assignments shall be permitted. In the case of partial assignments (other than to another Lender or to an affiliate of a Lender), unless otherwise agreed by the Borrowers and the Administrative Agent, (i) the minimum assignment amount shall be $5,000,000 and (ii) the minimum amount retained by the assigning Lender shall be $3,000,000 (with the amounts described herein being aggregated in respect of each Lender and its related "approved funds," if any). Each assignment shall be subject to the payment of a $3,500 processing fee to the Administrative Agent. Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to those matters set forth in clause (a) under the heading "Voting" above with respect to which the affirmative vote of the Lender from which it purchased its participation would be required. Pledges of Loans in accordance with applicable law shall be permitted without restriction.

Yield Protection: The Credit Documentation shall contain customary provisions (a)

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| | protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and from the imposition of or changes in withholding or other taxes and (b) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar Loan on a day other than the last day of an interest period with respect thereto. |
| Expenses and Indemnification: | The Borrowers shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Lead Arranger associated with the syndication of the Credit Facilities and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel to the Administrative Agent) and (b) all out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of one firm of counsel to the Administrative Agent and one additional firm of counsel to the Lenders) in connection with the enforcement of the Credit Documentation.<br><br>The Administrative Agent, the Lead Arranger and the Lenders (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any losses, claims, damages, liabilities or expenses incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof, except to the extent they are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of the relevant indemnified person. |
| Governing Law and Forum: | State of New York. |
| Counsel to the Administrative Agent and the Lead Arranger: | O'Melveny and Myers LLP. |

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Annex I to Term Sheet

Interest and Certain Fees

Interest

Rate Options: The Borrowers may elect that the Loans comprising each borrowing bear interest at a rate per annum equal to the ABR plus the Applicable Margin or the Eurodollar Rate plus the Applicable Margin, provided, that all Swingline Loans shall bear interest based upon the ABR.

As used herein:

"ABR" means the higher of (i) the rate of interest publicly announced by the Administrative Agent as its prime rate in effect (the "Prime Rate") and (ii) the federal funds effective rate from time to time plus 0.5%.

"Applicable Margin" means the rate determined pursuant to the pricing grid set forth below:

| Leverage Ratio | Applicable Margin for Eurodollar Loans (Revolving Loans) | Applicable Margin for ABR Loans (Revolving Loans) | Applicable Margin for Eurodollar Loans (Term B Loans) | Applicable Margin for ABR Loans (Term B Loans) |
|---|---|---|---|---|
| Greater than or Equal to 6.00 to 1.00 | 1.875% | 0.875% | 2.750% | 1.750% |
| Greater than or Equal to 5.50 to 1.00 Less than 6.00 to 1.00 | 1.625% | 0.625% | 2.750% | 1.750% |
| Greater than or Equal to 5.00 to 1.00 Less than 5.50 to 1.00 | 1.500% | 0.500% | 2.750% | 1.750% |
| Greater than or Equal to 4.50 to 1.00 Less than 5.00 to 1.00 | 1.375% | 0.375% | 2.500% | 1.500% |
| Greater than or Equal to 4.00 to 1.00 Less than 4.50 to 1.00 | 1.250% | 0.250% | 2.500% | 1.500% |
| Less than 4.00 to 1.00 | 1.000% | 0.000% | 2.500% | 1.500% |

With respect to the pricing grid, (i) pricing corresponding to a Leverage Ratio of less than 6.00 to 1.0 will not be available until the date (the "Adjustment Date") on which financial statements have been delivered in respect of the fiscal quarter ending March 31, 2000 and (ii) while an event of default is in existence, pricing shall revert to the highest grid rates.

"Eurodollar Rate" means the rate (adjusted for statutory reserve requirements for eurocurrency liabilities) for eurodollar deposits for a period equal to one, two, three or six months (or twelve months, with consent of all Lenders), as selected by the Borrowers, appearing on Page 3750 of the Dow Jones Markets screen.

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| Interest Payment Dates: | In the case of Loans bearing interest based upon the ABR ("ABR Loans"), quarterly in arrears.<br><br>In the case of Loans bearing interest based upon the Eurodollar Rate ("Eurodollar Loans"), on the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period. |
| Commitment Fees: | The Borrowers shall pay a commitment fee calculated at the rate of 0.375% per annum on the average daily unused portion of the Revolving Facility, payable quarterly in arrears, provided that, from and after the Adjustment Date, such rate shall be reduced to 0.250% per annum at any time when the Leverage Ratio is less than 5.00 to 1.0 (so long as no event of default is in existence). Swingline Loans shall, for purposes of the commitment fee calculations only, not be deemed to be a utilization of the Revolving Facility. |
| Default | Rate: At any time when the Borrowers are in default in the payment of any amount of principal due under the Credit Facilities, all outstanding Loans shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to the relevant ABR Loans. |
| Rate and Fee Basis: | All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of ABR Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed. |

Annex II To Term Sheet

## Definitions

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| Mandatory Payment of Accrued Interest: | Prior to December 1, 2003, interest on the Senior Discount Notes will accrete at an annual rate of 11 7/8% per annum, compounded semi-annually, but will not be paid until December 1, 2003. On December 1, 2003, the "Issuers" (as defined in the Section Discount Notes) 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 ($72,479,000, the "Accreted Interest Redemption Amount"). The Accreted Interest Redemption Amount represents (i) the excess of the aggregate accreted principal amount of all Senior Discount Notes outstanding on December 1, 2003 over the aggregate issue price thereof less (ii) an amount equal to one year's simple uncompounded interest on the aggregate issue price of such Senior Discount Notes at a rate per annum equal to the stated interest rate on the Senior Discount Notes. |
| Operating Cash Flow: | Operating Cash Flow for any period shall mean pre-tax income (excluding any extraordinary gains and losses) plus (a) depreciation, amortization and other non-cash charges; (b) interest expense; and (c) management fees (whether or not they are paid); minus (d) other non-cash income. For purposes of calculating the Leverage Ratio and the Senior Leverage Ratio, Operating Cash Flow shall be adjusted for acquisitions and dispositions as if such acquisitions and/or dispositions had occurred on the first day of such period. |
| Total Debt: | Total Debt shall mean the sum of all indebtedness for borrowed money, guarantees and letters of credit to the extent that they support third-party indebtedness, seller paper and capitalized lease obligations of Borrowers and their subsidiaries. Total Debt does not include the Senior Discount Notes. |

Exhibit 21.1

Subsidiaries

Charter Communications Holding Company, LLC
Charter Communications Holdings, LLC
Charter Communications Holdings Capital Corporation
Charter Communications Operating, LLC
Charter Communications Properties LLC
Cencom Cable Entertainment, LLC
Charter Communications Entertainment, LLC
Charter Communications Entertainment II, LLC
American Cable Entertainment Company, LLC
Charter Communications Entertainment I, LLC
Cable Advertising Saint Louis, L.L.C.
Long Beach, LLC
Charter Communications Services, LLC
Charter Cable Operating Company, LLC
Marcus Cable Partners, L.L.C.
Marcus Cable, Inc.
Marcus Cable Associates, L.L.C.
Marcus Cable of Alabama, L.L.C.
Marcus Fiberlink, L.L.C.
Charter Communications, LLC
Peachtree Cable TV, LLC
Peachtree Cable TV, L.P.
CF Finance LaGrange, Inc.
Charter-LaGrange, L.L.C.
Charter RMG, LLC
Renaissance Media Group, LLC
Renaissance Media Capital Corporation Renaissance Media (Tennessee), LLC
Renaissance Media (Louisiana), LLC
Renaissance Media, LLC
Charter-Helicon, LLC
Helicon Partners I, LP
HPI Acquisitions Co., LLC
Vista Broadband Communications, LLC
Interlink Communications Partners, LLC
Rifkin Acquisition Partners, L.L.C.
Rifkin Acquisition Capital Corp.
CCO Property, LLC
CCO Purchasing, LLC
Robin Media Group, Inc.
The Helicon Group, L.P.
Helicon Network Solutions, L.P.
Helicon Online, L.P.
Helicon Capital Corp.
Cable Equities of Colorado Management Corp.
Cable Equities Colorado L.L.C.

Exhibit 23.2

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, Inc., Charter Communications Holding Company, LLC, CCA Group, CharterComm Holdings, L.P., Long Beach Acquisition Corp., Sonic Communications Cable Television Systems, and Greater Media Cablevision Systems (and to all references to our Firm) included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri

November 1, 1999