As filed with the Securities and Exchange Commission on May 28, 1999.

Registration No. 333-75415

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to

FORM S-4
REGISTRATION STATEMENT
Under
the Securities Act of 1933

AVALON CABLE LLC
(Exact name of registrant as specified in its charter)

Delaware	4813	13-4029965
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

AVALON CABLE HOLDINGS FINANCE, INC.

Delaware	4813	13-4029969
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

Delaware	4813	04-3423309
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

AVALON CABLE OF MICHIGAN, INC.

Pennsylvania	4813	23-2566891
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

800 Third Avenue, Suite 3100
New York, New York 10022
Telephone: (212) 421-0600
(Address, including zip code, and telephone number, including area code, of registrants' principal executive offices)

Copy to:

Joel C. Cohen	Jill Sugar Factor
800 Third Avenue, Suite 3100	Kirkland & Ellis
New York, New York 10022	200 East Randolph Drive
Telephone: (212) 421-0600	Chicago, Illinois 60601
	Telephone: (312) 861-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment that 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 Commission, acting pursuant to said Section 8(a), may determine.

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+The information in this prospectus is not complete and may be changed. We may +
+not sell these notes until the registration statement filed with the   +
+Securities and Exchange Commission is effective. This prospectus is not an   +
+offer to sell these notes and it is not soliciting an offer to buy these   +
+notes in any state where the offer or sale is not permitted.   +
+++

Subject to Completion, dated May 28, 1999

Preliminary Prospectus

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Exchange Offer for

AVALON $196,000,000

[LOGO] 11 7/8% Senior Discount Notes due 2008

CABLE TELEVISION of Avalon Cable LLC and

Avalon Cable Holdings Finance, Inc.

- ---

Terms of the Exchange Offer

. This exchange offer expires at 5:00 p.m., New York City time, on , 1999, unless extended.

. The terms of the notes to be issued in this exchange offer are substantially identical to the outstanding notes, except for transfer restrictions and registration rights that apply to the outstanding notes.

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We are not making an offer to exchange notes in any jurisdiction where the offer is not permitted.

Before you tender your notes, you should consider carefully the "Risk Factors" beginning on page of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on unauthorized information or representations.

TABLE OF CONTENTS

SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information you should consider before tendering your notes for the notes offered hereby. We urge you to read this entire prospectus carefully, including the "Risk Factors" described herein.

Our Company

Our company was formed in 1997 to acquire, operate and develop cable television systems in mid-sized markets we believe to be attractive. As of March 31, 1999, on a pro forma basis giving effect to all our completed and pending acquisitions:

- we were one of the leading cable system operators in the State of Michigan;
- we were one of the 30 largest multiple system cable operators in the United States;
- our systems would have passed approximately 400,100 homes; and
- our systems would have served approximately 242,900 basic subscribers, of which approximately 217,100 are located in Michigan and approximately 25,900 are located in western New England and upstate New York.

Our Operating Clusters

We currently operate in two regional areas: the Michigan cluster and the New England cluster.

Our Michigan Cluster. On November 6, 1998, we established our Michigan cluster by completing our acquisition of Cable Michigan, Inc. In March 1999, we acquired the approximately 38% of the shares of Mercom, Inc. that Cable Michigan did not own at the time we acquired Cable Michigan. In addition, we have acquired the following:

- cable television systems from Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P.;
- cable television systems from Cross Country Cable TV, Inc.,
- assets of Novagate Communications Corp., an Internet service provider,
- cable system assets of R/COM, L.C., and
- assets of Traverse Internet, Inc., an Internet service provider.

We have also entered into an agreement to acquire certain cable system assets of Galaxy American Communications.

As of March 31, 1999, on a pro forma basis, we had a total of approximately 217,100 basic subscribers and 9,500 Internet subscribers in our Michigan cluster, after giving effect to all completed and pending transactions.

Our New England Cluster. In mid-1998, we established our New England cluster by acquiring cable system assets from AMRAC Clear View, A Limited Partnership, and from Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc. This cluster provides services in western New England and upstate New York.

Since we established our New England cluster, we have entered into agreements to acquire cable system assets and related liabilities of Taconic Technology Corporation and Hometown TV, Inc.

As of March 31, 1999, we had a total of approximately 25,900 basic subscribers in our New England cluster, after giving effect to all completed and pending transactions.

On a pro forma combined basis, the issuers would have had revenues of $26.0 million for the quarter ended March 31, 1999 and revenues of $104.9 million for the year ended December 31, 1998.

The principal executive offices of each of the issuers are located at 800 Third Avenue, Suite 3100, New York, NY 10022 and the telephone number of each of the issuers is (212) 421-0600.

Business Strategy

Our objective is to increase operating cash flow and maximize the value of our cable television systems through our expertise in acquiring and managing cable systems. We seek to be the leading supplier of multi-channel television services in our chosen markets. Our business strategy focuses on:

- targeting mid-sized suburban and exurban markets, which we believe offer an attractive customer base and reduced competition from other cable television providers;
- building regional clusters to achieve operating efficiencies while having geographic diversity for our company as a whole;
- growing through strategic and opportunistic acquisitions at attractive prices;
- upgrading our systems and prudently deploying capital to maintain, expand and upgrade our cable plant to improve our cable television services and facilitate our ability to explore new services such as Internet access;
- focusing on our customers by improving the level of customer service, improving technical reliability and expanding program offerings; and
- pursuing aggressive marketing to increase our customer base and the services purchased by our customers.

Recent Developments

On May 13, 1999, we signed an agreement with Charter Communications, Inc. under which Charter Communications agreed to purchase our company and assume or repay our outstanding debt. The acquisition by Charter Communications requires many regulatory approvals. We expect to consummate this transaction in the fourth quarter of 1999, subject to obtaining the required regulatory approvals. There can be no assurance, however, whether or when this acquisition will occur. The acquisition, if completed, will give rise to an obligation to make an offer to purchase the notes to be issued in this exchange offer at 101% of their accreted value. For more information on this offer, see "Description of the Notes--Repurchase at the Option of Holders--Change of Control."

The agreement with Charter Communications contains customary covenants limiting our ability, among other things, to do the following, subject in each case to specified exceptions:

- merge with or acquire the assets of any other person;
- borrow money;
- dispose of material assets or property;
- enter into, terminate or amend in a material and adverse respect any material agreement; and
- decrease rates or repackage any programming tiers.

Charter Communications is among the leading broadband communications companies in the United States. Charter Communications currently provides cable television, high speed Internet access, advanced digital video programming and paging services to customers.

The Initial Offering

The currently outstanding senior discount notes were originally issued on December 3, 1998 in a private placement. The issuers are parties to a registration rights agreement with the initial purchasers pursuant to which the issuers agreed, among other things, to file a registration statement with respect to the notes offered hereby on or before March 31, 1999, to use their reasonable best efforts to have the registration statement declared effective within 90 days after the filing and complete this exchange offer within 30 days after this registration statement becomes effective. The issuers must pay liquidated damages to the holders of the old notes if they do not meet these deadlines.

At the same time that we issued the currently outstanding senior discount notes, $150,000,000 principal amount of senior subordinated notes were issued in a private placement by our operating subsidiaries. We are holding companies with no separate operations. These operating subsidiaries carry on our business. As a result, the provisions of the indenture governing the senior subordinated notes are important to us as well. The senior subordinated notes are the subject of a separate exchange offer being conducted substantially concurrently with this exchange offer.

The Exchange Offer

The Exchange Offer.....	The issuers are offering to exchange $196,000,000 aggregate principal amount at maturity of 11 7/8% senior discount notes which have been registered under the Securities Act of 1933 for $196,000,000 aggregate principal amount at maturity of their outstanding 11 7/8% senior discount notes due 2008 which were issued in December 1998. The new notes are substantially identical to the old notes, except that some of the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.
Expiration Date.....	The exchange offer will expire at 5:00 p.m., New York City time, on , 1999, unless we extend it.
Withdrawal Rights.....	You may withdraw your tender of your notes at any time before 5:00 p.m., New York City time, on the expiration date of the exchange offer.
Conditions of the Exchange Offer.....	The exchange offer is subject to customary conditions, which the issuers may waive. Please read "The Exchange Offer--Conditions" section of this prospectus for more information regarding conditions of the exchange offer.
Procedures for Tendering Old Notes.....	If you are a holder of old notes and wish to accept the exchange offer, you must either: (a) complete, sign and date the accompanying letter of transmittal, or a facsimile thereof and mail or otherwise deliver the documentation, together with your old notes, to the exchange agent at the address shown under "The Exchange Offer--Exchange Agent;" or (b) arrange for The Depository Trust Company to transmit the required information to the exchange agent for this exchange offer in connection with a book-entry transfer.
Certain United States Federal Income Tax Consequences.....	Your exchange of old notes for new notes in the exchange offer will not result in any gain or loss to you for federal income tax purposes. See the "Certain United States Federal Income Tax Consequences" section of this prospectus.
Consequences of Failure to Exchange.....	Old notes that are not exchanged will continue to be subject to the existing transfer restrictions after the exchange offer. The issuers will have no further obligation to register the old notes. If you do not participate in the exchange offer, the liquidity of your notes could be adversely affected.
Procedures for Beneficial Owners.....	If you are the beneficial owner of old notes registered in the name of a broker, dealer or other nominee and you wish to tender your notes, you should contact the person in whose name your notes are registered and promptly instruct the person to tender on your behalf.

Guaranty Delivery Procedures.....	If you wish to tender your old notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedure for book-entry transfer cannot be completed on time, you may tender your notes according to the guaranteed delivery procedures. See "The Exchange Offer--Guaranteed Delivery Procedures."
Acceptance of Old Notes; Delivery of New Notes.....	Subject to certain conditions, the issuers will accept old notes which are properly tendered in the exchange offer and not withdrawn, before 5:00 p.m., New York City time, on the expiration date of the exchange offer. The new notes will be delivered as promptly as practicable following the expiration date.
Use of Proceeds.....	The issuers will receive no proceeds from the exchange offer.
Exchange Agent.....	The Bank of New York is the exchange agent for the exchange offer.

Summary of the New Notes

Issuers.....	Avalon Cable LLC and Avalon Cable Holdings Finance, Inc.
Yield and Interest.....	Before December 1, 2003, there will be no current payments of cash interest on the new notes. The new notes will accrete in value at a rate of 11 7/8% per annum, compounded semi-annually, to an aggregate principal amount of $196,000,000 on December 1, 2003, assuming all old notes are exchanged for new notes. After December 1, 2003, cash interest on the new notes: . will accrue at the rate of 11 7/8% per annum 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.
Original Issue Discount...	The new notes: . will be treated for U.S. federal income tax purposes as having been issued at a substantial discount to their principal amount at maturity, and . will bear original issue discount for U.S. federal income tax purposes. Original issue discount will accrue from the issue date of the new notes and will be included as interest income periodically, including for periods ending prior to December 1, 2003, in a holder's gross income for U.S. federal income tax purposes in advance of receipt of the cash payments to which the income is attributable. See "Certain United States Federal Income Tax Considerations."
Mandatory Payment of Accrued Interest.....	On December 1, 2003, the issuers will be required to redeem an amount equal to $369.79 per $1,000 principal amount at maturity of each new note and each old note not exchanged for a new note then outstanding, which we refer to as the Accreted Interest Redemption

	Amount, on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the notes so redeemed. Assuming all of the new notes and all of the old notes not exchanged for new notes remain outstanding on such date, this amount would be $72,479,000 in aggregate principal amount at maturity of the notes. This amount represents: . the excess of the aggregate accreted principal amount of all notes outstanding on December 1, 2003 over the aggregate issue price thereof, . less an amount equal to one year's simple uncompounded interest on the aggregate issue price of such notes at a rate per annum equal to the stated interest rate on the notes.
Maturity Date.....	December 1, 2008.
Optional Redemption.....	On or after December 1, 2003, the issuers may redeem the new notes, in whole or in part. Before December 1, 2001, the issuers may redeem up to 35% of the aggregate principal amount at maturity of the notes originally issued: . only with the proceeds of one or more equity offerings and/or strategic equity investments; and . only if at least 65% of the aggregate principal amount at maturity of the notes originally issued remains outstanding after each redemption. The prices for the above optional redemptions are set forth in the "Description of the Notes-- Optional Redemption" section of this prospectus.
Change of Control.....	If we sell certain assets or if we experience specific kinds of changes of control, holders of the new notes will have the opportunity to sell their new notes to the issuers at 101% of (a) the accreted value of the new notes in the case of repurchases of new notes prior to December 1, 2003 or (b) the aggregate principal amount thereof in the case of repurchases of new notes on or after December 1, 2003, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.
Ranking.....	The new notes: . will be general unsecured obligations of the issuers, . will be subordinate in right of payment to all existing and future senior indebtedness of the issuers, . will be effectively subordinated to all indebtedness and other liabilities and commitments of the issuers' subsidiaries, including their credit facility and their senior subordinated notes, . will rank on the same level, or "pari passu," with any existing and future senior indebtedness of the issuers, and . will rank senior to all subordinated obligations of the issuers.

The indenture governing the new notes permits the issuers and their subsidiaries, Avalon Cable of Michigan LLC and Avalon Cable of New England LLC, which are subsidiaries of Avalon Cable LLC, and Avalon Cable Finance, Inc., which is a subsidiary of Avalon Cable Holdings Finance, Inc., to incur additional indebtedness subject to certain limitations. We refer to these subsidiaries of the issuers as the operating subsidiaries. As of March 31, 1999, on a pro forma basis:

- the issuers would have had no outstanding indebtedness other than the existing notes and the debt of their subsidiaries, and
- the outstanding senior indebtedness of the issuers' operating subsidiaries on a combined basis would have been $328.5 million.

Certain Covenants.....

The indenture governing the new notes limits the activities of the issuers and their restricted subsidiaries. The provisions of the new note indenture limit their ability to:

- incur additional indebtedness,
- pay dividends or make certain 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.

Guarantors.....

Avalon Cable of Michigan, Inc., an equity holder in Avalon Cable LLC, and its sole stockholder, Avalon Cable of Michigan Holdings, Inc. will guarantee the obligations of Avalon Cable LLC under the new notes. However, neither Avalon Cable of Michigan Holdings, Inc. nor Avalon Cable of Michigan, Inc. has any significant assets other than its equity interest in Avalon Cable LLC and Avalon Cable of Michigan Inc., respectively. Thus, holders should not expect the guarantors to have any assets available to make principal and interest payments on the new notes. For a description of the relationship of the guarantors to the issuers, see "The Company--Structure After the Reorganization."

For more information about the new notes, see the "Description of the Notes" section of this prospectus.

Summary Unaudited Pro Forma Combined Financial and Operating Data

The following table shows for the periods indicated certain financial and operating data for the issuers, their predecessors and Taconic Technology Corporation, which is subject to a pending acquisition by the issuers. The following summary unaudited pro forma combined financial and operating data are based on the historical financial statements of Avalon Cable of Michigan Holdings, Inc., Cable Michigan, Inc., the predecessor company to Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, Avalon Cable of New England LLC, AMRAC Clear View, the predecessor to Avalon Cable LLC and Avalon Cable of New England LLC, Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc., Taconic Technology

Corporation and Avalon Cable Finance, Inc. and the assumptions and adjustments described in the notes thereto included elsewhere in this prospectus. The data for Avalon Cable of Michigan, Inc. and Cable Michigan include 100% of Mercom for all periods presented. The summary unaudited pro forma combined financial and operating data gives effect to our completed acquisitions and our pending acquisitions, the issuance of the old notes, the issuance of the senior subordinated notes by the issuers' operating subsidiaries, the incurrence of debt under our secured credit facility and the reorganization transactions described herein, as if they had occurred on January 1, 1999 for pro forma information for the period ended March 31, 1999 and January 1, 1998 for the pro forma information for the period ended December 31, 1998. In the following table and the related notes, we refer to:

- Avalon Cable of Michigan Holdings, Inc. as Michigan Holdings,
- Avalon Cable of New England LLC as Avalon New England,
- AMRAC Clear View as Amrac,
- Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc., collectively as Pegasus,
- the assets and related liabilities that we will acquire from Taconic Technology Corporation as Taconic,
- Avalon Cable Holdings Finance, Inc. as Holdings Finance,
- Avalon Cable of Michigan, Inc. as Avalon Michigan Inc. and
- Avalon Cable of Michigan LLC as Avalon Michigan LLC.

The summary unaudited pro forma combined financial and operating data do not purport to represent what the issuers' results of operations actually would have been if the completed and pending acquisitions had occurred as of the date indicated or what such results will be for future periods. Among other things, this data do not give effect to certain non-recurring charges or cost savings expected to result from the completed and pending acquisitions. This summary and accompanying notes are provided for informational purposes only and do not necessarily indicate what our operating results would have been had the completed and pending acquisitions been consummated on January 1, 1999 or 1998, nor do they necessarily indicate the issuers' future results of operations or financial position. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the year ending December 31, 1999.

Management believes that the summary unaudited pro forma combined financial and operating data is a meaningful presentation because the issuers had no operations as of December 31, 1997 and only had significant operations for a short period of time as of December 31, 1998, and their ability to satisfy debt and other obligations is dependent upon cash flow from the completed and pending acquisitions. The following information is qualified by reference to and should be read in conjunction with the "Capitalization," "Selected Historical Financial and Other Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus and the financial statements and notes thereto included elsewhere in this prospectus.

The summary unaudited pro forma combined financial and operating data should be read in conjunction with the financial statements of Michigan Holdings, Cable Michigan, Avalon Cable LLC, Amrac, Pegasus, Taconic and Holdings Finance and the accompanying notes thereto included elsewhere in this prospectus.

Prior to July 21, 1998, Pegasus was operated as part of Pegasus Communications Corporation. This table below sets forth selected historical combined data for Pegasus for periods during which they did not operate as a separate independent company and, accordingly, certain allocations were made in preparing such financial data. Therefore, such data may not reflect the results of operations or the financial condition which would have resulted if Pegasus had operated as a separate independent company during such periods, and are not necessarily indicative of the future results of operations or financial position of Pegasus.

As of March 31, 1999, Taconic was being operated as part of Taconic Technology Corporation. The table below sets forth selected historical data for Taconic. The historical financial data presented below reflect periods during which Taconic did not operate as an independent company and, accordingly, certain allocations were made in preparing such financial data. Therefore, such data may not reflect the results of operations or the financial condition which would have resulted if Taconic had operated as a separate independent company during such periods, and are not necessarily indicative of Taconic's future results of operations or financial position.

Summary Unaudited Pro Forma Combined Financial and Operating Data

For the Three Months Ended March 31, 1999

	Michigan Holdings(1)	Avalon Cable LLC(2)	Less: Duplicate period consolidated into Michigan Holdings(3)	Probable Transaction Taconic(4)	Pro Forma Adjustments(5)	Unaudited Pro Forma Combined
	(dollars in thousands)					
Statement of operations data						
Revenue	$ 22,367	$ 3,551	$(1,342)	$ 523	$ 949	$ 26,048
Operating expenses	12,129	1,657	(377)	340	728	14,477
Corporate overhead	376	411	(376)	6	17	434
Depreciation and amortization	10,126	1,310	(597)	105	235	11,179
Non-recurring expenses	--	--	--	--	--	--
Operating income (loss)	(264)	173	8	72	(31)	(42)
Interest expense, net	(11,518)	(472)	558	--	(11)	(11,443)
Other income (expense), net	4,350	--	--	(28)	(4,322)	--
Net-income (loss)	$ (7,432)	$ (299)	$ 566	$ 44	$ (4,364)	$(11,485)
Other financial data						
Cash flow from operations	$ 7,012	$ 1,910	$ (591)	$ 19	$ --	$ 8,350
Cash flows from investing activities	(43,214)	(3,547)	450	(19)	(13,800)	(60,130)
Cash flows from financing activities	40,358	14,647	--	--	573	55,578
EBITDA(14)	$ 9,862	$ 1,483	$ (589)	$ 177	$ 204	$ 11,137
Adjusted EBITDA(15)						11,270
Adjusted EBITDA margin(16)						43.3%
Ratio of debt to adjusted EBITDA(17)						9.8x
Capital expenditures	$ 9,210	$ 197	$(6,387)	$ 19	$ --	$ 3,039
Ratio of earnings to fixed charges				4.0x		1.0x
Deficiency of earnings to fixed charges	11,782	299				
Other operating data (end of period)						
Homes passed(18)	389,049	389,049		7,200	3,900	400,149
Basic subscribers(19)	236,988	236,988		5,000	950	242,938
Basic penetration(20)	60.9%	60.9%		69.4%	24.4%	60.7%
Premium units(21)	60,840	60,840		1,200	237	62,277
Premium penetration(22)	25.7%	25.7%		24.0%	24.9%	25.6%
Average monthly revenue per basic subscriber(23)	$ 34.56	$ 36.08		$34.67	$ 28.52	$ 34.72

(See Notes to Summary Unaudited Pro Forma Combined Financial and Operating Data)

Summary Unaudited Pro Forma Combined Financial and Operating Data

For the Year Ended December 31, 1998

	Michigan Holdings(6)	Cable Michigan(7)	Avalon Cable LLC(8)	Avalon New England(9)	Amrac(10)	Pegasus(11)	Probable Transaction Taconic(12)	Pro Forma Adjustments(13)	Unaudited Pro Forma Combined
	(dollars in thousands)								
Statement of operations data									
Revenue	$ 13,657	$ 74,521	$ 1,299	$ 3,231	$779	$3,277	$2,086	$ 6,061	$104,911
Operating expenses	7,469	38,621	761	1,838	443	1,693	1,378	4,036	56,239
Corporate overhead	249	6,087	56	350	42	97	22	97	7,000
Depreciation and amortization	6,614	28,098	440	1,129	47	835	426	7,239	44,828
Non-recurring expenses	--	5,764	--	--	--	--	--	--	5,764
Operating income (loss)	(675)	(4,049)	42	(86)	247	652	260	(5,311)	(8,920)
Interest expense, net	(6,784)	(7,382)	(785)	(503)	--	(938)	(17)	(29,120)	(45,529)
Other income (expense), net	(796)	897	(1,311)	--	--	(22)	(97)	(2,280)	(3,582)
Net income (loss)	$(8,228)	$(10,534)	$(2,054)	$ (589)	$247	$ (308)	$ 146	$(36,711)	$(58,031)
Other financial data									
Cash flow from operations	18,646	15,028	(1,252)	639	276	1,705	104	(7,454)	27,692
Cash flows from investing activities	(436,302)	(18,697)	(15,519)	(53,193)	(61)	(117)	(81)	(32,116)	(556,086)
Cash flows from financing activities	419,427	(7,457)	16,988	52,797	(561)	(971)	(23)	30,342	510,542
EBITDA(14)	$ 5,939	$ 29,813	$ 482	$ 1,043	$294	$1,487	$ 686	$ 1,928	$ 41,672
Adjusted EBITDA(15)									48,719
Adjusted EBITDA margin(16)									46.4%
Ratio of debt to adjusted EBITDA(17)									9.1x
Capital expenditures	$ 4,673	$18,697	$ 157	$ 21	$ 61	$ 114	$ 81	$ 165	$ 23,969
Deficiency of earnings to fixed charges	7,524					303			
Other operating data (end of period)									
Homes passed(18)	349,162		28,350				7,200	18,864	403,576
Basic subscribers(19)	211,537		20,604				5,100	10,084	247,325
Basic penetration(20)	60.6%		72.7%				70.8%	53.5%	61.3%
Premium units(21)	55,550		4,912				1,225	2,513	64,200
Premium penetration(22)	26.3%		23.8%				24.0%	24.9%	26.0%
Average monthly revenue per basic subscriber(23)	$ 34.96		$ 34.22				$34.67	$ 28.52	$ 34.57

(See Notes to Summary Unaudited Pro Forma Combined Financial and Operating Data)

Notes to Summary Unaudited Pro Forma Combined Financial and Operating Data

For the Three Months Ended March 31, 1999 and the Year Ended December 31, 1998

(1) For the three months ended March 31, 1999, Michigan Holdings results of operations include the results of operations of its wholly-owned subsidiary, Avalon Michigan Inc. During this quarter, Avalon Michigan Inc. operated the Michigan cluster from January 1 through March 26, 1999 and then in the reorganization, contributed its operating assets and liabilities to Avalon Cable LLC in exchange for a majority interest in Avalon Cable LLC and consolidated the results of Avalon Cable LLC from March 27, 1999 to March 31, 1999.

(2) Avalon Cable LLC's results of operations include its results of operations for the three months ended March 31, 1999, the results of its wholly-owned subsidiaries, Holdings Finance and Avalon New England for the period ended March 31, 1999 and the results of operations of its wholly-owned subsidiary, Avalon Michigan LLC, from the date of contribution (March 26, 1999) through March 31, 1999.

(3) This column represents the results of operations for the period from March 26 through March 31, 1999 which is included in both the results of operations of Michigan Holdings and Avalon Cable LLC due to the reorganization.

(4) Taconic's results of operations includes the actual historical results of operations for the period from January 1, 1999 through March 31, 1999.

(5) Pro forma adjustments represent those adjustments necessary to present operating results as if all pending and completed acquisitions and the financings occurred on January 1, 1999. These adjustments include in each case, the following:

(a) Adjustments to reflect the full year impact of the acquisitions of Nova Cablevision, Cross Country Cable TV, Traverse Internet, Galaxy American Communications, R/COM, Hometown TV and Novagate Communications.

(b) Increased depreciation and amortization expense due to excess of fair value over historical cost generated from the completed and pending acquisitions.

(c) Increased interest expense due to borrowings under our senior credit facility to finance the acquisitions and costs associated with the new notes.

(d) The removal of tax benefits, net, since after the reorganization transactions described herein, two of the three issuers will be treated as partnerships for federal income tax purposes.

See Notes to the Unaudited Pro Forma Combined Statements of Operations for a further explanation of these pro forma adjustments.

(6) On November 6, 1998, a subsidiary of Michigan Holdings acquired Cable Michigan, the predecessor entity. Prior to this acquisition, Michigan Holdings did not have any operations. Michigan Holdings' results of operations include the results of operations for the period from acquisition through December 31, 1998.

(7) Cable Michigan's results of operations includes the actual historical results of operations of Cable Michigan for the period from January 1, 1998 through November 5, 1998.

(8) Avalon Cable LLC results of operations include its results of operations from its inception (October 21, 1998) through December 31, 1998, the results of operations of Holdings Finance from its inception (October 21, 1998) through December 31, 1998 and the results of operations of Avalon New England from the date of contribution (November 6, 1998) through December 31, 1998.

(9) On May 29, 1998, Avalon New England acquired Amrac, the predecessor entity. On June 30, 1998, Avalon New England acquired Pegasus. Prior to these acquisitions, Avalon New England did not have any operations. Avalon New England's results of operations include the results of operations for the period from the acquisitions (May 29, 1998 for Amrac and July 1, 1998 for Pegasus) through November 5, 1998, the date of exchange with Avalon Cable LLC.

(10) Amrac's results of operations includes the actual historical results of operations for the period from January 1, 1998 through May 28, 1998.

Notes to Summary Unaudited Pro Forma Combined Financial and Operating Data--
(Continued)

For the Three Months Ended March 31, 1999 and the Year Ended December 31, 1998

(11) Pegasus' combined results of operations includes the actual historical results of operations for the period from January 1, 1998 through June 30, 1998.

(12) Taconic's results of operations includes the actual historical results of operations of Taconic for the year ended December 31, 1998.

(13) Pro forma adjustments represent those adjustments necessary to present operating results as if all pending and completed acquisitions and the related financing transactions and the reorganization occurred on January 1, 1998. These adjustments include in each case, the following:

(a) Adjustments to reflect the full year impact of the acquisitions of Nova Cablevision, Cross Country Cable TV, Traverse Internet, Galaxy American Communications, R/COM, Hometown TV and Novagate Communications.
(b) Increased depreciation and amortization expense due to excess of fair value over historical cost generated from the completed and pending acquisitions.
(c) Increased interest expense due to borrowings under our senior credit facility and the issuance of the old notes.

(d) The removal of tax benefits, net, since after the reorganization transactions described herein, two of the three issuers will be treated as partnerships for federal income tax purposes.
(e) Elimination of minority interest in loss of Mercom due to the acquisition of the remaining 38% of the outstanding stock of Mercom. Results for Mercom are included in the results of Avalon Michigan Inc. and Cable Michigan.

See Notes to Unaudited Pro Forma Combined Statements of Operations for a further explanation of these pro forma adjustments.

(14) Represents net income before depreciation and amortization, interest income (expense), net, income taxes, other expenses, net, gain or loss from the sale of assets, nonrecurring items and non-cash expenses. For the period from January 1, 1998 through November 5, 1998, EBITDA excludes $5,764 of non-recurring seller transaction costs incurred by Cable Michigan in connection with the merger with and into Avalon Michigan Inc. Management believes that EBITDA is a meaningful measure of performance and it is commonly used in the cable television industry to analyze and compare cable television companies on the basis of operating performance, leverage and liquidity. However, EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or cash flows as a measure of liquidity, as determined in accordance with generally accepted accounting principles ("GAAP"). EBITDA, as computed by management, is not necessarily comparable to similarly titled amounts of other companies. See financial statements, including statements of cash flows, included elsewhere herein.

(15) Represents EBITDA, adjusted for the elimination of certain expenses and the inclusion of corporate overhead expenses as contemplated by the definition of "Leverage Ratio" in the indenture governing the old notes and the new notes, which is used in determining compliance with the debt incurrence covenant in the indenture. See "Description of the Notes--Certain Definitions." However, Adjusted EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or cash flows as a measure of liquidity, as determined in accordance with GAAP. Adjusted EBITDA, as computed by management, is not necessarily comparable to similarly titled amounts of other companies. See the financial statements, including statements of cash flows, included elsewhere herein.

For the Three Months Ended March 31, 1999 and the Year Ended December 31, 1998

The following table reflects the calculation of Adjusted EBITDA (dollars in thousands):

	Year Ended December 31, 1998	Three Months Ended March 31, 1999
EBITDA	$41,672	$11,137
Adjustments:		
Cable Michigan management fee	3,156	--
Cable Michigan corporate overhead expenses	1,171	--
Amrac and Pegasus management fees and corporate overhead expenses	140	--
Completed acquisitions corporate overhead expenses	508	--
Taconic corporate overhead expenses	641	73
Pending acquisitions corporate overhead expenses	170	140
Public company expenses of Cable Michigan and Mercom	394	--
Non-recurring expenses(a)	1,908	(80)
Avalon corporate overhead expenses	(1,041)	--
Total adjustments	7,047	133
Adjusted EBITDA	$48,719	$11,270

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(a) For the year ended December 31, 1998, these amounts reflect the elimination of non-recurring expenses such as (a) litigation expenses, (b) expenses associated with a May 1998 storm in Grand Rapids (c) expenses related to the relocation of the customer service call center to Michigan and (d) one-time costs associated with special promotions. For the quarter ended March 31, 1999, these amounts reflect a non-recurring insurance adjustment associated with the May 1998 storm in Grand Rapids.

(16) Represents Adjusted EBITDA as a percentage of revenues.

(17) Represents total pro forma debt outstanding as of March 31, 1999 and December 31, 1998 divided by an amount equal to Adjusted EBITDA for the three months ended March 31, 1999 and December 31, 1998, respectively, (see note 15) multiplied by four, as specified in the indenture for the old notes and new notes in determining compliance with the debt incurrence covenant. See "Description of the Notes--Certain Definitions--Leverage Ratio."

(18) The number of dwelling units in a particular community that management estimates can be connected to Avalon Cable LLC's cable system.

(19) A home with one or more televisions connected to a cable system is counted as one basic subscriber. Bulk accounts are included on an equivalent basic unit basis by dividing the total monthly bill for the account by the basic monthly charge for a single outlet in the area.

(20) Calculated as basic subscribers as a percentage of homes passed.

(21) Includes only single channel services offered for a monthly fee per channel and does not include tiers of channels as a package for a single monthly fee. A subscriber may purchase more than one premium service, each of which is counted as a separate premium service unit.

(22) Calculated as premium units as a percentage of basic subscribers.

(23) Represents revenues during the respective period divided by the number of months in the period divided by the average number of basic subscribers (beginning of period plus end of period divided by two) for such period.

You should carefully consider each of the following factors and all of the other information in this prospectus before tendering your old notes for new notes.

If you do not participate in the exchange offer, you will continue to be subject to transfer restrictions.

If you do not exchange your old notes in the exchange offer, you will continue to be subject to restrictions on transfer on your old notes. We did not register the old notes under the federal or any state securities laws, and we do not intend to register them following the exchange offer. As a result, the old notes may only be transferred in limited circumstances under the securities laws. In addition, to the extent initial notes are tendered and accepted in the exchange offer, the trading market, if any, for the old notes would be adversely affected. As a result, after the exchange offer, you may have difficulty selling your old notes.

You must follow the exchange offer procedures carefully in order to receive the new notes.

If you do not follow the procedures described herein, you will not receive new notes. The new notes will be issued to you in exchange for your old notes only after timely receipt by the exchange agent of:

- your old notes and

either:

- a properly completed and executed letter of transmittal and all other required documentation or

- a book-entry delivery by transmittal of an agent's message through The Depository Trust Company.

If you want to tender your old notes in exchange for new notes, you should allow sufficient time to ensure timely delivery. No one is under any duty to give you notification of defects or irregularities with respect to tenders of old notes for exchange. For additional information, please refer to "The Exchange Offer" and "Plan of Distribution" sections of this prospectus.

Our substantial indebtedness could make us unable to service our indebtedness and meet our other requirements and could adversely affect our financial health.

The issuers have a substantial amount of debt outstanding. This high level of debt and the related need to devote a significant portion of our cash flow to meeting debt service and other fixed charges could adversely affect our operations and financial condition. As of March 31, 1999, on a pro forma basis, the issuers would have had on a combined basis outstanding long-term indebtedness of approximately $443.2 million and shareholders' equity of approximately $138.6 million. In addition, on a pro forma basis, combined interest expense for the issuers would have been $11.4 million for the quarter ended March 31, 1999 and $45.5 million for the year ended December 31, 1998. On a pro forma basis, the combined earnings of the issuers would have been insufficient to cover their fixed charges by approximately $0.0 million for the quarter ended March 31, 1999 and $8.9 million for the year ended December 31, 1998. In these periods, however, earnings are reduced by substantial non-cash charges, principally consisting of depreciation and amortization of $11.2 million and $44.8 million and accreted interest of $3.3 million and $15.0 million for the quarter ended March 31, 1999 and for the year ended December 31, 1998, respectively. Subject to the restrictions in the indenture governing the old notes and the new notes and other applicable agreements, the issuers and their subsidiaries may incur additional indebtedness, from time to time, which could result in greater interest expense and fixed charges.

The amount of debt and debt service obligations of the issuers could have important consequences to you, including the following:

- the issuers may have limited ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future;

- the issuers and their operating subsidiaries will be dedicating a substantial portion of their cash flow from operations to the payment of the principal of and interest on their debt, thereby reducing funds available for future operations and our plans to expand and upgrade our cable plant;

- all borrowings by the issuers' operating subsidiaries under their senior credit facility and certain other borrowings are subject to variable rates of interest, which expose the issuers to the risk of increased interest rates; and

- the issuers may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures.

For additional information, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" section of this prospectus.

Covenants in our debt agreements restrict our business in many ways.

The indenture governing the old notes and the new notes, and the senior secured credit facility and the indenture governing the senior subordinated notes issued by the issuers' operating subsidiaries contain numerous restrictive covenants. These covenants place significant restrictions on, among other things, the ability of the issuers and the operating subsidiaries to:

- incur additional indebtedness,

- create liens and other encumbrances,

- pay dividends and make certain other payments, investments, loans and guarantees,

- enter into transactions with affiliates and

- sell or otherwise dispose of assets and merge or consolidate with another entity.

The credit facility also contains a number of financial covenants that require the issuers' operating subsidiaries to meet specified financial ratios and tests. Events beyond the control of the issuers' operating subsidiaries may affect their ability to meet these ratios and tests. We cannot assure you that the issuers' operating subsidiaries will meet these ratios or these tests. In addition, the issuers and their subsidiaries may incur other debt in the future that may contain more restrictive covenants than those currently applicable.

If our debt obligations are accelerated as a result of a failure to comply with our debt agreements, we may not be able to repay the new notes.

A failure to comply with the obligations in our debt agreements, including those of our operating subsidiaries, could result in an event of default under such agreements. An event of default could permit acceleration of the related debt and could also permit the acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. In this event, lenders under these instruments could declare all amounts outstanding to be immediately due and payable. In addition, in the case of the credit facility and any other secured debt, the lenders thereunder could foreclose upon the secured assets. We cannot assure you that the assets of the issuers and their operating subsidiaries would be sufficient to repay the debt of the issuers and their operating subsidiaries, including the new notes and the senior subordinated notes, if the lenders under the credit facility accelerated their debt.

The new notes are effectively subordinated to all debt and other liabilities of our operating subsidiaries.

The issuers are holding companies with no significant assets other than their direct and indirect investments in their operating subsidiaries. Therefore, the new notes will be effectively subordinated to all debt and other liabilities of the issuers' subsidiaries. Claims of creditors of the issuers' subsidiaries, including general trade creditors, will generally have priority as to the assets of the issuers' subsidiaries over the claims of the issuers and the holders of the new notes. As of March 31, 1999, on a pro forma basis, the issuer's subsidiaries would have had $328.5 million of debt outstanding, including debt under the senior subordinated notes and the credit facility, and $21.0 million of trade payables and other liabilities outstanding.

Our subsidiaries may be prohibited from paying dividends or making other payments to us, which payments are our sole source of operating funds to pay amounts due under the new notes.

The issuers will rely on dividends and other advances and transfers of funds from their subsidiaries to meet their debt service obligations under the new notes. The ability of the issuers' subsidiaries to make payments to the issuers will be subject to applicable state laws restricting the payment of dividends and to restrictions in the agreements governing indebtedness of the issuers' subsidiaries. Subject to certain conditions, our current credit facility and the indenture governing the senior subordinated notes permit the issuers' subsidiaries to make distributions to the issuers in amounts sufficient for the issuers to pay interest, including the Accreted Interest Redemption Amount, when due on the new notes. We cannot assure you that such conditions will be satisfied at the time the Accreted Interest Redemption Amount or other interest payments under the new notes are payable. See "Description of Certain Debt."

We can only provide you with limited information about the performance of our company under current management on which to make your investment decision.

Our company was formed in 1997 and has grown principally through acquisitions. We acquired a substantial portion of our operations in early November 1998 in the Cable Michigan transaction. Accordingly, you have limited information about our combined operations and the results that we can achieve through our management. We cannot assure you that the past operating history of any or all of the entities that we have acquired will be indicative of results under our management.

Our operating strategy depends on completing and integrating acquisitions, which we may not be able to do for a variety of reasons.

In pursuing our cluster strategy, we will continue to seek strategic acquisitions at prices we believe to be attractive. A substantial part of our future growth depends on these acquisitions. Our results of operations could be materially affected if we do not complete or successfully integrate new businesses into our existing businesses. We cannot assure you that we will find attractive acquisition candidates at suitable prices, be able to finance those acquisitions on satisfactory terms, successfully acquire those candidates, or effectively manage the integration of acquired businesses into our existing business. In addition, acquisitions of cable systems are frequently subject to approval from local franchising authorities and other governmental agencies.

Significant competition in providing entertainment, news and information could reduce the demand and profitability of our services.

Our industry is very competitive. The nature and level of the competition affects, among other things, how much we must spend to maintain and upgrade our cable systems, how much we must spend on marketing and promotions and the prices we can charge. We cannot assure you that we will have the resources to compete effectively. Many of our present and potential competitors have substantially greater resources than we do. Also, some of our competitors may use technology that customers may find superior to ours. We face competition from:

- companies with alternative methods of receiving and distributing single and/or multiple channels of video programming, such as direct-to-the-home satellite programming companies and off-air television broadcast programming companies;
- other sources of news, information and entertainment, such as newspapers, movie theaters, live sporting events, interactive online computer services and home video products, including videotape cassette recorders;
- potentially, other operators of cable television systems in our communities, including systems operated by local governmental authorities; and
- other distribution systems capable of delivering programing to homes and businesses including direct broadcast satellite systems, private satellite master antenna television systems and wireless terrestrial program distribution services such as multipoint, multichannel distribution service.

In recent years, the number of subscribers to direct broadcast satellite services has grown significantly on a national basis. Additionally, Congress and the FCC have recently proposed regulations that could make it easier for direct broadcast satellite providers to legally deliver certain distant and local broadcast signals. Recent changes in federal law and recent administrative and judicial decisions have also removed certain restrictions that have limited entry into the cable television business by potential competitors such as telephone companies, registered utility holding companies and their subsidiaries. Such developments will enable local telephone companies to provide a wide variety of video services in the telephone company's service area which will be directly competitive with services provided by cable television systems. We cannot predict the extent to which competition will materialize in our franchise areas from other cable television operators, other video programming distribution systems and other broadband telecommunications services to the home. We also cannot predict whether we will face new competitors or their impact on us. For additional information, please refer to "Business--Competition" and "Regulation" sections of this prospectus.

We will be unable to continue to provide services in areas where our franchises are not renewed or are terminated, which will adversely affect our business.

We operate under limited term franchises granted by state and local authorities. We cannot assure you that we will be able to retain or renew franchises or that any renewals will be on terms as favorable to us as the existing terms. A franchise is generally granted for a fixed term ranging from five to 15 years but is often terminable if the franchisee fails to comply with any material provisions of the franchise agreement. Our franchises typically impose conditions relating to the use and operation of the cable television system, including requirements relating to payment of fees, system bandwidth capacity and customer service requirements. The non-renewal or termination of franchises relating to a significant portion of our subscribers could have a material adverse effect on our results of operations as we would no longer be able to offer services to affected customers. In addition, a change in the conditions of a franchise could make it more expensive for us to operate the related cable system, which could adversely affect our business. For additional information, please refer to "Business--Franchises" section of this prospectus.

Extensive government regulation of the cable industry can increase our expenses and slow our growth.

The extensive regulation of our industry by federal, state and local governments results in increased costs, limits on our ability to offer new services and change our prices and restricts our ability to make acquisitions. As a result, our financial condition could be negatively affected and our growth could be limited. The Cable Television Consumer Protection and Competition Act of 1992 and the implementing rules of the Federal Communications Commission generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the Federal Communications Commission and local and/or state franchise authorities. A number of states, including New York, Connecticut, and Massachusetts, subject cable systems to the jurisdiction of centralized state governmental agencies in addition to more local regulation. Regulations cover, among other things:

- rates for certain services,
- mandatory carriage and retransmission consent requirements that require a cable system under certain circumstances to carry a local broadcast station or to obtain consent to carry a local or distant broadcast station,
- rules for certain franchise renewals and all transfers, and
- other requirements covering a variety of operational areas, such as equal employment opportunity, technical standards and customer service requirements.

Changes in regulations can adversely affect our business and help our competitors.

Our results of operations may be adversely impacted by changes in federal, state and local regulations. For example, pending federal legislation would make it easier for direct broadcast satellite services to provide local

programming in local markets. If passed, the legislation would make direct broadcast satellite services more competitive with cable television, which is not currently similarly limited with respect to local programming. We cannot predict whether this legislation, or any other pending or future legislation, will ultimately become law, if it does what its final provisions will be and, consequently, what impact it would have on us.

We will not be able to remain competitive if we cannot keep up with technological change.

The cable television industry is subject to rapid and significant changes in technology. We plan to upgrade the technical quality of our cable plant to expand our services, increase the number of channels that we offer to customers and, if economically viable, provide new services. We cannot assure you, however, that existing, proposed or yet undeveloped technologies will not become dominant in the future or otherwise render cable television services less profitable or less viable.

Our business will be adversely affected if we cannot continue to obtain programming on reasonable terms.

Our cable programming services are dependent upon our ability to obtain attractive programming at reasonable rates. Although we believe that our relations with our programming suppliers are generally good, our business could suffer a material adverse effect if we lost key programming contracts because the quality and amount of programming we offer affect the prices we can charge and the attractiveness of our services to subscribers. We also anticipate that the cost of obtaining programming will rise in the future. If we were unable to pass on these increases to our customers, these increases could have a material adverse effect on our results of operations. For additional information, please refer to the "Business--Programming" section of this prospectus.

Your investment may be adversely affected due to conflicts of interest between noteholders and our controlling equityholder.

ABRY Broadcast Partners III, L.P. controls our total voting power and can therefore direct our policies. In addition, it controls the selection of a majority of the managers of Avalon Cable Holdings LLC and, indirectly, the managers and the directors of the issuers. Certain changes in ABRY Broadcast Partners III's beneficial ownership interest in the issuers would constitute a change of control under the indenture governing the new notes and under other agreements, including our secured credit facility, and could result in an event of default or otherwise give rise to an obligation to make an immediate payment under these agreements.

ABRY Broadcast Partners III and its affiliates are in the business of making controlling investments in broadcast and other media businesses and in businesses which support or enhance broadcast or media properties. They and members of our management may from time to time own or control interests in television, cable and related businesses other than through our company, including interests in our competitors. They may make acquisitions of television, cable and other broadcasting and related businesses that would be complementary to our business but are not made available to us.

ABRY Broadcast Partners III, its affiliates and members of our management may from time to time maintain interests which are in conflict with the interests of the owners of the new notes. Some of these interests may result in restrictions on our ability to engage in certain activities due to limitations on common ownership, operation or control of certain businesses.

If a change of control occurs, there may not be sufficient assets to purchase the new notes of all noteholders wishing to have their new notes purchased.

In the event there is a change of control of the issuers, the issuers must make an offer to buy back the new notes at a price equal to 101% of (a) the accreted value of the new notes in the case of repurchases of new notes prior to December 1, 2003 or (b) the aggregate principal amount thereof in the case of repurchases of new notes on or after December 1, 2003 together with accrued and unpaid interest and liquidated damages, if

any, as of the date of repurchase. We cannot assure you that the issuers would have sufficient funds to pay the purchase price for all of the new notes in that event, in part because certain events involving a change of control may also result in:

- an event of default under our credit facility or other applicable debt agreements,
- an obligation of the issuers or their operating subsidiaries to make an immediate payment under the credit facility or other debt agreements, or
- obligations to purchase, or offer to purchase, the related indebtedness, including our subsidiaries' senior subordinated notes.

We also cannot assure you that the credit facility or other agreements to which the issuers and their affiliates are then party would permit any of these purchases. If a change of control occurs at a time when the issuers are prohibited from purchasing the new notes, the issuers and their affiliates could seek the consent of their lenders to purchase the new notes or could attempt to refinance the borrowings that contain this prohibition. If the issuers do not obtain consent or repay the borrowings, the issuers would remain prohibited from purchasing the new notes. In this case, the issuers' failure to purchase tendered new notes would constitute an event of default under the indenture governing the new notes. For additional information, please refer to the "Description of the Notes" section of this prospectus.

Our performance could be adversely affected if we lose our key personnel.

David Unger, our Chairman, and Joel Cohen, our President and Chief Executive Officer, while having extensive experience in the industry, do not have extensive experience with our company or any of our operations, including Cable Michigan. Therefore, we cannot assure you of our performance under their management. Our business is substantially dependent upon the performance of certain key individuals, including Mr. Unger and Mr. Cohen. Although we intend to maintain a strong management team, the loss of the services of Mr. Unger or Mr. Cohen could have a material adverse effect on us. Under the terms of his employment agreement, Mr. Unger is permitted to engage in other business activities in addition to his duties to our company. For additional information, please refer to the "Management" section of this prospectus.

Our business may be adversely affected if we are responsible for certain liabilities related to the separation of Cable Michigan from Commonwealth Telephone Enterprises, Inc.

Cable Michigan, Inc., which we acquired in November 1998, became a separate, public company on September 30, 1997. Prior to that time, its operations were part of Commonwealth Telephone Enterprises, Inc. Under the agreements governing the separation of Cable Michigan from Commonwealth Telephone Enterprises, we could be responsible for liabilities resulting from the joint operations of Cable Michigan, Commonwealth Telephone Enterprises and RCN Corporation, which was separated from Commonwealth Telephone Enterprises at the same time as Cable Michigan, including liabilities related to taxes and employee benefits. If we were so liable, it could have a material adverse effect on us.

Failure of our year 2000 efforts could adversely affect us.

We are in the process of reviewing our financial, administrative and operational systems and analyzing the extent to which we face a year 2000 problem. We also are in the process of reviewing systems provided to us by third parties, including billing systems. Although we have not yet made a final determination, we believe that any year 2000 problem, if it arises in the future, should not be material to our liquidity, financial position or results of operations. However, we cannot assure you as to the extent of any of these liabilities.

Your notes could be voided or subordinated to our other debt if the issuance of the notes constituted a fraudulent conveyance.

Under federal or state fraudulent transfer laws, if a court found that at the time the issuers issued the old notes or the new notes, any of the issuers:

(1) incurred the debt with the intent of hindering, delaying or defrauding current or future creditors; or

(2) received less than fair consideration or reasonably equivalent value for incurring the debt and

- was insolvent or was rendered insolvent by reason of the incurrence of the debt,
- was engaged, or about to engage, in a business or transaction for which its remaining assets were unreasonably small or
- intended to incur, believed or should have believed, it would incur debts beyond its ability to pay as the debts mature,

then, in each case, a court could void all or a portion of the issuer's obligations to you as a holder of the new notes, or subordinate the issuer's obligations to the holders to other debt of the issuer, as the case may be. This result would entitle other creditors to be paid in full before any payment could be made on your notes, and possibly allow other creditors to invalidate your notes. In that event, we could not assure you that you would ever recover any repayment on your notes.

The definition of insolvency for purposes of the foregoing will vary depending upon the law applied. Generally, however, an issuer would be considered insolvent if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets; or
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they mature.

We believe that, for the above purposes, the old notes were issued and are being exchanged without the intent to hinder, delay or defraud creditors, and for proper purposes and in good faith. We also believe that after the issuance and exchange of the notes and the application of their proceeds, the issuers will be solvent, will have sufficient capital for carrying on their business and will be able to pay their debts as they mature. We can give no assurance, however, what standard a court would apply in reviewing the transactions or that a court would agree with our conclusion.

We do not maintain insurance on our underground cable plant and thus damage to our cable plant could have a material adverse effect on our business.

As is typical in the cable television industry, we do not maintain insurance covering our underground cable plant. Therefore, the loss of or damage to a significant portion of our cable plant or other uninsured properties could have a material adverse effect on us.

Because the new notes will bear original issue discount, holders generally will have taxable income arising from the new notes in advance of receiving related cash payments.

The new notes will bear original issue discount for federal income tax purposes. Consequently, holders of the new notes generally will be required to include amounts in gross income for federal income tax purposes in advance of receipt of the cash payments to which the income is attributable. Please see the "Certain United States Federal Income Tax Considerations" section of this prospectus for a more detailed discussion of the federal income tax consequences of the purchase, ownership and disposition of the new notes.

If the issuers cannot deduct some of the interest on the new notes, there could be a material adverse effect on our financial condition due to the additional taxes payable.

Although unlikely, it is possible that the new notes will constitute "applicable high yield discount obligations" for federal income tax purposes. Should the new notes be applicable high yield discount

obligations, the issuers would not be entitled to claim a deduction for original issue discount that accrued with respect to the new notes until amounts attributable to such original issue discount were actually paid. In addition, to the extent that the yield to maturity of the new notes exceeded the sum of the relevant applicable federal rate plus six percentage points, any deduction that was attributable to this portion of the new notes would be permanently disallowed. As a result, the issuers could be responsible for more taxes, which could have a material adverse effect on the financial condition of the issuers.

The new notes would be applicable high yield discount obligations if:

- the yield to maturity on the new notes is equal to or greater than the sum of the relevant applicable federal rate plus five percentage points and
- the new notes bear significant original issue discount.

A debt instrument bears significant original issue discount for this purpose if, as of the close of any accrual period ending more than five years after issuance, the total amount of income includible by a holder with respect to the debt instrument exceeds the sum of:

- interest paid to the holder in cash or, generally, in property other than debt instruments or stock of the issuer or a related person and
- an amount equal to the issue price of the debt instrument multiplied by its yield to maturity.

For purposes of this discussion, the date of issuance refers to the date of issuance of the old notes.

Although the law is unclear in certain respects and the issue is therefore not free from doubt, the new notes should not constitute applicable high yield discount obligations because they should not bear significant original issue discount because, by the close of the first accrual period ending more than five years after issuance, the issuers are required by the terms of the new notes to pay, in cash, an amount at least equal to the excess of all original issue discount accrued to that date since the date of issuance of the old notes over an amount equal to one year's simple uncompounded interest on the aggregate issue price of the old notes at a rate per annum equal to the stated interest rate on the old notes; thereafter, cash interest is required to be paid semiannually.

In a bankruptcy proceeding involving the issuers, holders of new notes may not have claims for the full principal amount of their notes.

If a bankruptcy case is commenced by or against any of the issuers under federal bankruptcy law after the issuance of the new notes, the claim of a holder of the new notes with respect to the principal amount of those notes may be limited to the sum of:

- the initial public offering price of the new notes, and
- that portion of the original issue discount which is not deemed to constitute "unmatured interest" for purposes of federal bankruptcy law.

Any original issue discount that was not amortized as of any such bankruptcy filing would constitute "unmatured interest."

Actual results of our operations may differ from those contained in forward-looking statements.

We make forward-looking statements throughout this prospectus. Whenever you read a statement that is not simply a statement of historical fact, such as when we describe what we believe, expect or anticipate will occur, and other similar statements, you must remember that our expectations may not be correct, even though we believe they are reasonable. You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect as a result of certain factors, including the risks faced by us described in the "Risk Factors" section and elsewhere in this prospectus. We will not update these forward-looking statements, even though our situation will change in the future.

THE COMPANY

Overview

Set forth below are charts showing our corporate structure at the time we issued the old notes and after giving effect to a reorganization that we completed in March 1999. These charts should be read in light of the following facts:

- Avalon Cable Holdings, LLC controls each of the issuers and each of their operating subsidiaries.
- Each of the subsidiaries of Avalon Cable Holdings, LLC was organized in connection with a particular acquisition or the financing thereof.
- In the initial structure, Avalon Cable of Michigan, Inc., Mercom, Inc. and Avalon Cable of New England LLC are the only companies with substantial operations. The rest are primarily holding companies, holding only equity interests in the indicated companies and incurring and/or guaranteeing debt.
- In the structure after the reorganization, Avalon Cable of Michigan LLC and Avalon Cable of New England LLC are the only companies with substantial operations. The rest are primarily holding companies, holding only equity interests in the indicated companies and incurring and/or guaranteeing debt.
- The controlling equityholder in Avalon Cable Holdings, LLC is ABRY Broadcast Partners III, L.P., an investment fund. It is managed by ABRY Partners, Inc., which manages $825 million of private equity funds and is one of the largest private equity investment firms in North America dedicated solely to investments in media businesses. For more information, see "Security Ownership of Certain Beneficial Owners and Management."
- Members of management are also equityholders in Avalon Cable Holdings, LLC.
- Avalon Investors L.L.C. was organized by a private investor in order to invest in our company. It does not have any voting rights with respect to the management or operations of Avalon Cable LLC or any of its subsidiaries.
- The senior subordinated notes of the issuers' operating subsidiaries were privately placed at the same time as the old notes and are currently the subject of a separate exchange offer which is registered with the Securities and Exchange Commission on a separate registration statement.

Initial Structure

The following chart sets forth our corporate structure as of the time of the old note offering. Originally, the issuers under the old notes were Avalon Cable LLC, Avalon Cable of Michigan Holdings, Inc. and Avalon Cable Holdings Finance, Inc. At that time, Avalon Cable of Michigan, Inc. operated the cable systems located in our Michigan cluster. Avalon Cable of New England LLC operates the cable systems located in our New England cluster. Avalon Cable of Michigan, Inc. is a wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc., Avalon Cable of New England LLC is a wholly owned subsidiary of Avalon Cable LLC and Avalon Cable Finance, Inc. is a wholly owned subsidiary of Avalon Cable Holdings Finance, Inc. Each of Avalon Cable Holdings Finance, Inc. and Avalon Cable Finance, Inc. was organized for purposes of facilitating the initial financing and other financings and conducts no activities other than in connection with those financings.

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(a) Issuer of old notes.

(b) Issuer under senior subordinated notes and borrower under the credit facility.

(c) In the Cable Michigan acquisition, Avalon Cable of Michigan, Inc. acquired the approximately 62% of Mercom, Inc.'s outstanding common stock owned by Cable Michigan. Subsequently, Avalon Cable of Michigan, Inc. acquired the remaining shares.

Structure After the Reorganization

In order to facilitate certain aspects of our financing, in March 1999, after the acquisition of the approximately 38% of Mercom, Inc. that we did not own through a merger of Mercom, Inc. into Avalon Cable of Michigan, Inc., we completed a series of transactions we refer to as the "reorganization:"

- Avalon Cable of Michigan, Inc. transferred substantially all of its assets and liabilities to Avalon Cable LLC, which then transferred these assets and liabilities to Avalon Cable of Michigan LLC and, as a result, Avalon Cable of Michigan LLC now operates our Michigan cluster;

- Avalon Cable of Michigan Holdings, Inc. ceased to be an obligor on the old notes and together with Avalon Cable of Michigan, Inc. became a guarantor of the obligations of Avalon Cable LLC under the old notes;

- Avalon Cable of Michigan LLC became an additional obligor on the senior subordinated notes of the issuers' operating subsidiaries; 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 all of the obligations of Avalon Cable of Michigan LLC under the senior subordinated notes and the credit facility.

Neither Avalon Cable of Michigan Holdings, Inc. nor Avalon Cable of Michigan, Inc. has any significant assets other than its equity interests in Avalon Cable of Michigan, Inc. and Avalon Cable LLC, respectively. As a result, you should not expect Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc., as guarantors, to have any assets available to make interest and principal payments on the new notes.

The following chart sets forth our corporate structure immediately after giving effect to the reorganization.

[CHART SHOWS CORPORATE STRUCTURE IMMEDIATELY AFTER GIVING EFFECT TO THE REORGANIZATION]

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(a) Issuer of old notes.

(b) Issuer of senior subordinated notes and borrower under the credit facility.

(c) Guarantor of Avalon Cable LLC's obligations under the old notes and new notes.

(d) Guarantor of Avalon Cable of Michigan LLC's obligations under the senior subordinated notes and the credit facility.

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the new notes. We used the proceeds of approximately $110.4 million from the offering of the old notes and approximately $150.0 million from the offering of the senior subordinated notes, which occurred at the same time, principally to:

- repay approximately $125.0 million under our senior credit facility, together with accrued interest,
- repay approximately $105.0 million of borrowings under the bridge credit facility described below, together with accrued interest,
- repay approximately $18.0 million of borrowings under the subordinated bridge facility described below, together with accrued interest,
- pay approximately $9.4 million of financing costs and certain fees and expenses, and
- pay approximately $3.0 million of accrued interest and for other working capital needs.

As a result, the bridge credit facility was terminated and no amounts were outstanding under the subordinated bridge facility. The credit facility, the bridge credit facility and the subordinated bridge facility were all entered into in connection with the closing of the acquisition of Cable Michigan in November 1998. At that time, borrowings under the bridge credit facility and the subordinated bridge facility, together with the funds received under the credit facility and as a result of equity investments, were used to finance the net consideration paid to acquire Cable Michigan, to repay existing Cable Michigan indebtedness, to repay indebtedness incurred in connection with prior acquisitions by Avalon Cable of New England and to pay financing costs and fees and expenses.

Borrowings under the bridge credit agreement, dated as of November 5, 1998, among the issuers, the lenders named therein, Lehman Brothers Inc. and Lehman Commercial Paper Inc., bore interest, at the time of repayment, at approximately 11.3% per annum. The bridge credit facility would have become due and payable on November 6, 1999 unless converted into term loans as provided therein, in which case these principal amounts would have become due and payable on November 6, 2007.

The subordinated bridge facility bore interest, at the time of repayment, at approximately 12.3% per annum. Interest under this facility was not currently payable in cash; rather, interest due and payable could be added to the principal amount outstanding thereunder. For a description of this facility, see the definition of "ABRY Subordinated Debt" under "Description of the Notes."

CAPITALIZATION

The following table sets forth:

- the unaudited capitalization as of March 31, 1999 of each of Avalon Cable LLC and Avalon Cable Holdings Finance, Inc., which were the issuers under the old notes as of such date, and
- the pro forma combined capitalization of the issuers as of March 31, 1999, giving effect to the pending acquisitions and other matters described herein.

The information in the following table should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and the notes thereto which you can find elsewhere in this prospectus.

	Unaudited March 31, 1999		
	Avalon Cable LLC	Avalon Holdings Finance	Unaudited Pro Forma Combined March 31, 1999
	(dollars in thousands)		
Credit facility	$177,366	$ --	$177,939(1)
Senior subordinated notes	150,000	--	150,000
New notes	--	--	114,781(2)
Old notes	114,781	--	--
Notes Payable--affiliates	--	15,338	--
Other	580	--	580
Total debt	442,727	15,338	443,300
Issuers' equity	138,628	--	138,628
Total capitalization	$581,355	$15,338	$581,928

(1) To reflect additional borrowings under the credit facility for the completed and pending acquisitions of Traverse Internet, Hometown TV and Galaxy American Communications of $573.

(2) To reflect the exchange of old notes for new notes.

UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following Unaudited Pro Forma Combined Financial Data is based on the historical financial statements of the Avalon Cable of Michigan Holdings, Inc., Cable Michigan, the predecessor to Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, Avalon Cable of New England LLC, AMRAC Clear View, the predecessor to Avalon Cable LLC and Avalon Cable of New England, Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc., Taconic Technology Corporation and Avalon Cable Holdings Finance, Inc. and the assumptions and adjustments described in the accompanying notes. The results of Mercom are included in the results of Avalon Cable of Michigan, Inc. and Cable Michigan for the reported periods. The following Unaudited Pro Forma Combined Statements of Operations gives effect to our completed and pending acquisitions, the issuance of the old notes, the issuance of the senior subordinated notes by the issuers' operating subsidiaries, the incurrence of debt under our senior credit facility and the reorganization transactions described herein, as if each had occurred on January 1, 1999 for pro forma information for the period ending March 31, 1999 and January 1, 1998 for the pro forma information for the period ended December 31, 1998. The Unaudited Pro Forma Combined Statements of Operations do not purport to represent what the issuers' results of operations actually would have been if all completed and pending acquisitions had occurred as of the date indicated or what the results will be for future periods. Among other things, this data does not give effect to certain non-recurring charges or cost savings expected to result from our acquisitions. In the following table and the related notes, we refer to:

- Avalon Cable Holdings Finance, Inc. as Holdings Finance,
- the assets and related liabilities that we will acquire from Taconic Technology Corporation as Taconic,
- Avalon Cable of Michigan Holdings, Inc. as Michigan Holdings,
- Avalon Cable of New England LLC as Avalon New England,
- AMRAC Clear View as Amrac,
- Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc., collectively as Pegasus,
- Avalon Cable of Michigan, Inc. as Avalon Michigan Inc., and
- Avalon Cable of Michigan LLC as Avalon Michigan LLC.

The following Unaudited Pro Forma Combined Balance Sheet as of March 31, 1999 was prepared as if all of the completed and pending acquisitions and the reorganization had occurred on this date. The Unaudited Pro Forma Combined Balance Sheet reflects the preliminary allocations of purchase price to the Issuers' tangible and intangible assets and liabilities. The final allocation of purchase price, and the resulting depreciation and amortization expense in the accompanying Unaudited Pro Forma Combined Statements of Operations, may differ from the preliminary estimates due to the final allocation being based on (a) actual closing date amounts of assets and liabilities and (b) actual appraised values of property, plant and equipment and any identifiable intangible assets for the pending acquisitions. For every $100,000 change in the allocation to goodwill, amortization expense would increase or decrease accordingly by approximately $6,700 on a yearly basis.

The Unaudited Pro Forma Combined Financial Data and accompanying notes are provided for informational purposes only and are not necessarily indicative of the operating results that would have occurred had all completed and pending acquisitions been consummated on the date indicated, nor are they necessarily indicative of the Issuers' future results of operations or financial position. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the year ended December 31, 1999.

The Unaudited Pro Forma Combined Financial Data should be read in conjunction with the financial statements of Michigan Holdings, Cable Michigan, Avalon Cable LLC, Avalon New England, Amrac, Pegasus, Taconic and Holdings Finance and the accompanying notes thereto included elsewhere in this prospectus.

Prior to July 21, 1998, Pegasus was operated as part of Pegasus Communications Corporation. The table below sets forth selected historical combined data for Pegasus. The historical combined financial data presented

below reflect periods during which Pegasus did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if Pegasus had operated as a separate independent company during these periods, and are not necessarily indicative of Pegasus' future results of operations or financial position.

As of March 31, 1999, the assets and liabilities that we will acquire from Taconic were owned by Taconic Technology. The table below sets forth selected historical data for these assets and liabilities of Taconic. The historical financial data presented below reflect periods during which these assets and liabilities were part of Taconic and, accordingly, certain allocations were made in preparing the financial data. Therefore, the data may not reflect the results of operations or the financial condition which would have resulted if these assets and liabilities were owned by a separate independent company during these periods, and are not necessarily indicative of the future results of operations or financial position of these assets and liabilities.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

March 31, 1999
(dollars in thousands)

	Avalon Cable LLC	Avalon Holdings Finance	Probable Transaction Taconic	Pro Forma Adjustments	Unaudited Pro Forma Combined
Current assets:					
Cash	$ 13,227	$ --	$ --	$ (8,525)(a)	$ --
				(4,275)(b)	
				(1,000)(c)	
				573 (d)	
Accounts receivable, net	6,210	--	32	--	6,242
Prepaids and other current assets	741	--	626	--	1,367
Total current assets	20,178	--	658	(13,227)	7,609
Property, plant and equipment, net	115,200	--	1,713	1,612 (a)	118,525
				150 (b)	150
Intangible assets, net	473,323	--	--	1,000 (c)	474,323
				4,803 (a)	4,803
				4,125 (b)	4,125
Notes receivable--affiliate	--	15,338	--	(15,338)(c)	--
Other assets	94	--	28	--	122
Total assets	$608,795	$15,338	$2,399	$ (16,875)	$609,657
Current liabilities:					
Current portion of long-term debt	$ 20	$ --	$ 289	$ --	$ 309
Accounts payable and accrued expenses	20,669	--	--	--	20,669
Accounts payable--affiliates	3,388	--	--	--	3,388
Advance billings and customer deposits	3,363	--	--	--	3,363
Total current liabilities	27,440	--	289	--	27,729
Credit facility	177,366	--	--	573 (d)	177,939
Senior Subordinated Notes	150,000	--	--	--	150,000
Senior Discount Notes	114,781	--	--	(114,781)(f)	--
New Notes	--	--	--	114,781 (f)	114,781
Long-term debt	580	--	--	--	580
Notes payable--affiliates	--	15,338	--	(15,338)(c)	--
Deferred credits and other	--	--	359	(359)(a)	--
Total liabilities	470,167	15,338	648	(15,124)	471,029
Minority interest	--	--	--	--	--
Equity, net	138,628	--	1,751	(1,751)(a)	138,628
Total liabilities and equity, net	$608,795	$15,338	$2,399	$ (16,875)	$609,657

(See Notes to Unaudited Pro Forma Combined Balance Sheet)

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

March 31, 1999

(a) To reflect the pending acquisition of Taconic (dollars in thousands):

Cash paid	$8,525
To record purchase price adjustments:	
Historical net book value, excluding debt	$1,751
Eliminate net (assets)/liabilities not acquired	359
Historical cost basis of net assets acquired	2,110
Identified value of property and equipment in excess of historical cost	1,612
Goodwill and other intangibles	4,803
Fair value of Taconic	$8,525

(b) To reflect the acquisitions of Traverse Internet, Hometown TV and Galaxy American Communications (the "Additional Acquisitions") as if these acquisitions occurred on March 31, 1999 (dollars in thousands except the price per share):

Additional Acquisitions purchase price (1)	4,275
To record purchase price adjustments:	
Identified value of property, plant and equipment in excess of historical cost	150
Goodwill and other intangibles	4,125
Fair value of the Additional Acquisitions	$4,275

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(1) We have acquired certain assets and liabilities of Traverse Internet as of April 30, 1999 and have signed definitive agreements to acquire assets of Hometown TV and Galaxy American Communications. These completed and pending acquisitions do not represent significant acquisitions by the issuers and therefore do not require separate financial statement information.

(c) To reflect deferred finance costs of $1,000,000 incurred in conjunction with the exchange offering.

(d) To reflect additional borrowings under the credit facility of $573 incurred in connection with the Additional Acquisitions and the exchange offering.

(e) To eliminate transactions between the issuers consisting of (i) a note receivable, including interest receivable, of $15,338 from Avalon Michigan LLC payable to Avalon Cable Finance and (ii) a note receivable, including interest receivable, of $15,338 from Avalon Cable Finance payable to Avalon New England.

(f) To reflect the exchange of old notes for new notes.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS

For Three Months Ended March 31, 1999

	Michigan Holdings(1)	Avalon Cable LLC(2)	Less: Duplicate period consolidated into Michigan Holdings(3)	Probable Transaction Taconic(4)	Pro Forma Adjustments(5)	Unaudited Pro Forma Combined
	(dollars in thousands)					
Revenues	$ 22,367	$3,551	$(1,342)	$523	$ 949(a)	$ 26,048
Operating expenses	12,129	1,657	(377)	340	728(a)	14,477
Corporate overhead	376	411	(376)	6	17(a)	434
Depreciation and amortization	10,126	1,310	(597)	105	235(b)	11,179
Non-recurring expenses	--	--	--	--	--	--
Operating (loss) income	(264)	173	8	72	(31)	(42)
Interest expense, net	(11,518)	(472)	558	--	(11)(c)	(11,443)
Other income (expense), net	4,350	--	--	(28)	(4,322)(d)	--
Net (loss) income	$ (7,432)	$ (299)	$ 566	$ 44	$(4,364)	$(11,485)

UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS

For Year Ended December 31, 1998

	Michigan Holdings(6)	Cable Michigan(7)	Avalon Cable LLC(8)	Avalon New England(9)	Amrac(10)	Pegasus(11)	Probable Transaction Taconic(12)	Pro Forma Adjustments(13)	Unaudited Pro Forma Combined
	(dollars in thousands)								
Revenues	$13,657	$ 74,521	$ 1,299	$3,231	$779	$3,277	$2,086	$ 6,061 (a)	$104,911
Operating expenses	7,469	38,621	761	1,838	443	1,693	1,378	4,036 (a)	56,239
Corporate overhead	249	6,087	56	350	42	97	22	97 (a)	7,000
Depreciation and amortization	6,614	28,098	440	1,129	47	835	426	7,239 (b)	44,828
Non-recurring expenses	--	5,764	--	--	--	--	--	--	5,764
Operating (loss) income	(675)	(4,049)	42	(86)	247	652	260	(5,311)	(8,920)
Interest expense, net	(6,784)	(7,382)	(785)	(503)	--	(938)	(17)	(29,120)(c)	(45,529)
Other income (expense), net	(769)	897	(1,311)	--	--	(22)	(97)	(2,280)(d)(e)	(3,582)
Net (loss) income	$(8,228)	$(10,534)	$(2,054)	$ (589)	$247	$ (308)	$ 146	$(36,711)	$(58,031)

(See Notes to Unaudited Pro Forma Combined Statements of Operations)

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS

For the Three Months Ended March 31, 1999 and the Year Ended December 31, 1998

(1) For the three months ended March 31, 1999, Michigan Holdings' results of operations include the results of operations of its wholly-owned subsidiary, Avalon Michigan, Inc. During this quarter, Avalon Michigan Inc. operated the Michigan cluster from January 1 through March 26, 1999 and then, in the reorganization, contributed its operating assets and liabilities to Avalon Cable LLC in exchange for a majority interest in Avalon Cable LLC and consolidated the results of Avalon Cable LLC from March 27, 1999 to March 31, 1999.

(2) Avalon Cable LLC's results of operations include its results of operations for the three months ended March 31, 1999, the results of its wholly-owned subsidiaries, Holdings Finance and Avalon New England for the period ended March 31, 1999 and the results of operations of its wholly-owned subsidiary, Avalon Michigan LLC, from the date of contribution (March 26, 1999) through March 31, 1999.

(3) This column represents the results of operations for the period from March 26 through March 31, 1999 which is included in the results of operations of both Michigan Holdings and Avalon Cable LLC due to the reorganization.

(4) Taconic's results of operations includes the actual historical results of operations for the period from January 1, 1999 through March 31, 1999.

(5) Pro forma adjustments represent those adjustments necessary to present operating results as if all pending and completed acquisitions and the financings occurred on January 1, 1999. These adjustments included the following:

(a) To adjust revenues, operating expenses and corporate overhead of $949, $728 and $17, respectively for the three months ended March 31, 1999, to account for the acquisitions of Nova Cablevision, Cross Country Cable TV, Traverse Internet, Galaxy American Communications, R/COM, Novagate Communications and Hometown TV as if these acquisitions occurred on January 1, 1999.

(b) Amount represents increased depreciation and amortization due to excess of fair value over historical cost generated from the acquisitions of Taconic and other completed and pending acquisitions calculated as follows (dollars in thousands):

	Three Months Ended March 31, 1999
Pro forma depreciation and amortization	$11,179
Historical depreciation and amortization	10,944
Pro forma adjustment	$ 235

(c) Amount represents increased interest expense due to the financings for acquisitions (dollars in thousands):

	Three Months Ended March 31, 1999
Additional borrowings	$573
Credit facility interest rate on an annual basis	8.0%
Pro forma adjustment	$ 11

(d) To remove tax benefits, net, since after reorganization, two of the three issuers will be treated as partnerships for federal income tax purposes (dollars in thousands):

Taconic	$ 28
Michigan Holdings	(4,350)
Total tax (benefit), net	$ 4,322

(6) On November 6, 1998, a subsidiary of Avalon Michigan Inc. acquired Cable Michigan. Prior to this acquisition, Avalon Michigan Inc. did not have any operations. Avalon Michigan Inc.'s results of operations include the

results of operations for the period from acquisition through December 31, 1998.

(7) Cable Michigan's results of operations includes the actual historical results of operations of Cable Michigan for the period from January 1, 1998 through November 5, 1998.

(8) Avalon Cable LLC results of operations include its results of operations from its inception (October 21, 1998) through December 31, 1998, and the results of operations of Avalon New England from the date of contribution (November 6, 1998) through December 31, 1998.

(9) On May 29, 1998, Avalon New England acquired Amrac. On July 21, 1998, Avalon New England acquired Pegasus. Prior to these acquisitions, Avalon New England did not have any operations. Avalon New England's

results of operations include the results of operations for the period from the acquisitions (May 29, 1998 for Amrac and July 21, 1998 for Pegasus) through December 31, 1998.

(10) Amrac's results of operations includes the historical results of operations for the period from January 1, 1998 through May 28, 1998.

(11) Pegasus' combined results of operations includes the actual historical results of operations for the period from January 1, 1998 through June 30, 1998.

(12) Taconic's results of operations includes the actual historical results of operations of Taconic for the year ended December 31, 1998.

(13) Pro forma adjustments represent those adjustments necessary to present operating results as if all pending and completed acquisitions and the financings and the reorganization occurred on January 1, 1998. These adjustments included the following:

(a) To adjust revenues, operating expenses and corporate overhead of $6,061,000, $4,036,000 and $97,000, respectively for the year ended December 31, 1998, to account for the acquisitions of Nova Cablevision, Cross Country Cable TV, Traverse Internet, Galaxy American Communications, R/COM, Novagate Communications and Hometown TV as if these acquisitions occurred on January 1, 1998.

(b) Amount represents increased depreciation and amortization due to excess of fair value over historical cost generated from the acquisitions of Cable Michigan (including Mercom), Amrac, Pegasus, Taconic and our other completed and pending acquisitions calculated as follows (dollars in thousands):

	Year Ended December 31, 1998
Pro forma depreciation and amortization	$44,828
Historical depreciation and amortization	37,589
Pro forma adjustment	$ 7,239

(c) Amount represents increased interest expense due to the financings and the offerings (dollars in thousands):

		Year Ended December 31, 1998
Historical interest expense, net		$16,409
Senior subordinated notes	14,063	
Senior discount notes	13,500	
Credit facility (1)	16,386	
Other debt	122	
Amortization of deferred financing fees	1,458	
Pro forma interest expense		45,529
Pro forma adjustment		$29,120

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(1) If the assumed interest rate on the credit facility increased by 0.125%, total pro forma interest expense would increase by $225,000 for the year ended December 31, 1998.

(d) To remove tax benefits, net, since after the reorganization two of the three issuers will be treated as partnerships for federal income tax purposes (dollars in thousands):

	Year Ended December 31, 1998

Pegasus	$ 5
Taconic	97
Cable Michigan	(2,382)
Total tax (benefit), net	$(2,280)

(e) To eliminate minority interest in loss of Mercom due to the completion of the Mercom acquisition of $473,000 for the year ended December 31, 1998.

Cable Michigan and Avalon Cable of Michigan Holdings, Inc.

Avalon Cable of Michigan, Inc. is a wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc. On November 6, 1998, Avalon Cable of Michigan, Inc. acquired Cable Michigan. Accordingly, Cable Michigan is the predecessor entity to both Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc.

Prior to September 30, 1997, Cable Michigan was operated as part of Commonwealth Telephone Enterprises, Inc. The table below sets forth selected historical consolidated data for Cable Michigan. The historical consolidated financial data presented below reflect periods during which Cable Michigan did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if Cable Michigan had operated as a separate independent company during these periods, and are not necessarily indicative of Cable Michigan's future results of operations or financial position.

The selected historical consolidated statement of operations and balance sheet data of Cable Michigan shown below for the five years ended December 31, 1997 have been derived from the consolidated financial statements of Cable Michigan which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated statement of operations and balance sheet data for the period from January 1 to November 5, 1998 have been derived from the consolidated financial statements of Cable Michigan, which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated statements of operations and balance sheet data of Avalon Cable of Michigan Holdings, Inc. as of December 31, 1998 and for the period from June 2, 1998 (inception) through December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable of Michigan Holdings, Inc., which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated financial and other data for the three months ended March 31, 1999 have been derived from the unaudited consolidated financial statements of Avalon Cable of Michigan Holdings, Inc., which in the opinion of the management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the periods presented. The audited consolidated financial statements of Cable Michigan as of December 31, 1996, 1997 and November 5, 1998 and for each of the two years in the period ended December 31, 1997 and for the period from January 1, 1998 through November 5, 1998 are included elsewhere herein. The operating results for the three months ended March 31, 1999 are not necesssarily indicative of results to be expected for the year ending December 31, 1999.

The consolidated statement of operations data, other financial data and balance sheet data include the results of operations for Mercom since August 1995. The other operating data includes Mercom operating data for all periods presented. In July 1997, the Mercom Florida cable system was sold. This system served approximately 1,900 subscribers at the time of the sale.

You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Year Ended December 31,					Period from January 1, 1998 to November 5, 1998	Period from June 2, 1998 through December 31, 1998 (10)	Three Months Ended March 31, 1999
	1993	1994	1995	1996	1997			
	(dollars in thousands)							
Statement of operations data								
Revenues	$ 48,665	$ 49,141	$ 60,675	$ 76,187	$ 81,299	$ 74,521	$13,657	$ 22,367
Operating expenses	25,283	26,981	28,465	37,016	40,978	38,621	7,469	12,129
Corporate overhead	3,372	1,562	6,284	7,075	7,204	6,087	249	376
Depreciation and amortization	32,697	28,685	25,154	31,427	32,082	28,098	6,554	10,126
Non-recurring expenses	--	--	--	--	--	5,764	--	--
Operating (loss) income	(12,687)	(8,087)	772	669	1,035	(4,049)	(675)	(264)
Interest (expense), net	(15,960)	(15,767)	(15,918)	(15,052)	(11,393)	(7,382)	(6,784)	(11,518)
Gain on sale of Florida cable system	--	--	--	--	2,571	--	--	--
Other (expense) income, net	(496)	(2,372)	4,645	6,127	3,429	897	(769)	4,350
Net loss	$(29,143)	$(26,226)	$(10,501)	$ (8,256)	$ (4,358)	$(10,534)	$(8,228)	$ (7,432)
Balance sheet data (end of period)								
Total assets	$147,286	$116,972	$172,759	$149,200	$142,597	$131,220	$553,649	$611,055
Long-term debt (excluding current portion)	--	--	181,807	163,247	143,000	120,000	417,540	442,727
Net (deficit) equity	(60,419)	(76,931)	(73,757)	(79,741)	(53,874)	(63,865)	26,772	19,340
Cash flow data								
Cash flow from operating activities	N/A	29,589	311	27,817	18,344	15,028	18,646	7,012
Cash flow from investing activities	N/A	(8,995)	(13,345)	19,215	(10,009)	(18,697)	(436,302)	(43,214)
Cash flow from financing activities	N/A	(19,786)	14,993	(18,334)	5,587	(7,457)	419,427	40,358
Other financial data								
EBITDA (1)	$ 20,010	$ 20,598	$ 25,926	$ 32,096	$ 33,117	$ 29,813	$ 5,939	9,862
EBITDA margin (2)	41.1%	41.9%	42.7%	42.1%	40.7%	40.0%	43.5%	44.1%
Capital expenditures	N/A	$ 8,678	$ 11,207	$ 9,605	$ 14,041	$ 18,697	4,673	9,210
Ratio of earnings to fixed charges (3)	N/A	N/A	--	--	--	--	--	--
Amount of the Deficiency of earnings to fixed charges (3)	N/A	N/A	N/A	15,119	8,525	12,368	7,524	11,782
Other operating data (end of period)								
Homes passed (4)	296,918	308,343	316,196	327,439	336,895	345,010	349,162	389,049
Basic subscribers (5)	170,134	179,109	191,774	198,322	203,912	214,819	211,537	236,988
Basic penetration (6)	57.3%	58.1%	60.7%	60.6%	60.5%	62.3%	60.6%	60.9%
Premium units (7)	N/A	N/A	80,925	64,118	65,361	64,866	55,550	60,840
Premium penetration (8)	N/A	N/A	42.2%	32.3%	32.1%	30.2%	26.3%	25.7%
Average monthly revenue per basic subscriber (9)	$ 29.65	$ 27.53	$ 31.36	$ 32.30	$ 33.03	$ 33.18	$ 34.96	$ 34.94

(See Notes to Selected Historical Financial and Other Data)

AMRAC Clear View

Avalon Cable LLC's wholly owned subsidiary, Avalon Cable of New England LLC, acquired AMRAC Clear View on May 29, 1998. Accordingly, AMRAC Clear View is the predecessor entity to both Avalon Cable LLC and Avalon Cable of New England LLC.

The selected historical statement of operations and balance sheet data of AMRAC Clear View shown below for the four years ended December 31, 1997 have been derived from the financial statements of AMRAC Clear View which have been audited by Greenfield, Altman, Brown, Berger & Katz, P.C., independent accountants. The selected historical financial and other data of AMRAC Clear View shown below for the year ended December 31, 1993 has been derived from the unaudited financial statements of AMRAC Clear View. The selected historical financial and other data for the period ended May 28, 1997 have been derived from the unaudited financial statements of AMRAC Clear View, which in the opinion of management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the period presented. The audited financial statements of AMRAC Clear View as of December 31, 1996 and 1997 and May 28, 1998 and for the three years ended December 31, 1997 and for the period ended May 28, 1998 are included elsewhere herein. The operating results for the period ended May 28, 1998 are not necessarily indicative of results to be expected for the year ending December 31, 1998. You should read the information contained in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Year Ended December 31,					Period Ended May 28,	
	1993	1994	1995	1996	1997	1997	1998
	(dollars in thousands)						
Statement of operations data							
Revenues	$ 1,483	$ 1,576	$ 1,701	$ 1,807	$ 1,902	$ 786	$ 779
Operating expenses	891	900	975	1,045	1,038	435	443
Corporate overhead	100	72	94	97	102	42	42
Depreciation and amortization	347	323	331	340	136	57	47
Operating income	145	281	301	325	626	252	247
Interest expense, net	(147)	(142)	(130)	(91)	(47)	(23)	--
Other income, net	--	--	--	--	51	--	--
Net (loss) income	$ (2)	$ 139	$ 171	$ 234	$ 630	$ 229	$ 247
Balance sheet data (end of period)							
Total assets	$ 1,490	$ 1,200	$ 1,001	$ 1,043	$ 1,374	$1,159	$ 1,073
Long-term debt (excluding current portion)	1,512	1,044	778	488	163	416	--
Partners' (deficit) equity	(394)	(286)	(180)	54	684	283	931
Cash flow data							
Cash flows from operating activities	369	459	436	622	689	313	276
Cash flows from investing activities	(66)	(64)	(117)	(75)	(118)	(56)	(61)
Cash flows from financing activities	(179)	(420)	(303)	(261)	(284)	(139)	(561)
Other financial data							
EBITDA (1)	$ 492	$ 604	$ 632	$ 665	$ 762	$ 309	$ 294
EBITDA margin (2)	33.2%	38.3%	37.2%	36.8%	40.1%	39.3%	37.7%
Capital expenditures	$ 66	$ 64	$ 117	$ 65	$ 118	$ 56	$ 61
Ratio of earnings to fixed charges (3)	1.0x	1.9x	2.2x	3.1x	9.3x	8.0x	44.4x
Other operating data (end of period)							
Homes passed (4)	6,025	6,250	6,447	6,640	6,775	6,693	6,955
Basic subscribers (5)	4,277	4,558	4,808	4,901	5,025	4,964	5,101
Basic penetration (6)	71.0%	72.9%	74.6%	73.8%	74.2%	74.2%	73.3%
Premium units (7)	2,049	1,931	1,770	1,667	1,465	1,455	1,561
Premium penetration (8)	47.9%	42.4%	36.8%	34.0%	29.2%	29.3%	30.6%
Average monthly revenue per basic subscriber (9)	N/A	N/A	$ 30.27	$ 31.02	$ 31.94	$31.92	$ 30.77

(See Notes to Selected Historical Financial and Other Data)

Pegasus Cable Television

Prior to July 21, 1998, Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc., which we refer to collectively as Pegasus Cable Television, operated as part of Pegasus Communications Corporation. The table below sets forth selected historical combined data for Pegasus Cable Television. The historical combined financial data presented below reflect periods during which Pegasus Cable Television did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if Pegasus Cable Television had operated as a separate independent company during these periods, and are not necessarily indicative of Pegasus Cable Television's future results of operations or financial position.

The selected historical combined statement of operations and balance sheet data of Pegasus Cable Television shown below for the three years ended December 31, 1997 have been derived from the combined financial statements of Pegasus which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical combined financial and other data for the six months ended June 30, 1997 and 1998 have been derived from the unaudited combined financial statements of Pegasus Cable Television, which in the opinion of management of the issuers, reflect all adjustments necessary to present fairly the combined financial position and results of operations for the periods presented. The audited combined financial statements of Pegasus Cable Television as of December 31, 1996 and 1997 and for the three years ended December 31, 1997 are included elsewhere herein. The operating results for the six months ended June 30, 1998 are not necessarily indicative of results to be expected for the year ending December 31, 1998. You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the combined financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	1995	1996	1997	1997	1998
	(dollars in thousands)				
Statement of operation data					
Revenues	$ 5,135	$ 5,775	$ 6,191	$ 2,990	$ 3,277
Operating expenses	2,604	3,024	3,190	1,617	1,693
Corporate overhead	368	349	242	132	97
Depreciation and amortization	1,658	1,669	1,565	769	835
Operating income	505	733	1,194	472	652
Interest expense, net	(1,744)	(1,887)	(1,791)	(863)	(938)
Other (expense), net	(20)	(27)	(44)	(31)	(22)
Net loss	$(1,259)	$(1,181)	$ (641)	$ (422)	$ (308)
Balance sheet data (end of period)					
Total assets	$10,251	$11,584	$12,661	$12,156	$12,988
Long-term debt (excluding current portion)	15,023	15,044	15,018	15,026	14,994
Shareholders' (deficit)	(7,026)	(8,207)	(8,785)	(8,629)	(9,093)
Cash flow data					
Cash flows from operating activities	1,172	3,379	2,681	1,739	1,705
Cash flows from investing activities	(291)	(1,247)	(889)	(520)	(117)
Cash flows from financing activities	(401)	(2,615)	(1,090)	(777)	(971)
Other financial data					
EBITDA (1)	$ 2,163	$ 2,402	$ 2,759	$ 1,241	$ 1,487
EBITDA margin (2)	42.1%	41.6%	44.6%	41.5%	45.4%
Capital expenditures	$ 164	$1,175	$ 691	$ 445	$ 114
Ratio of earnings to fixed charges (3)	--	--	--	--	--
Amount of the Deficiency of earnings to fixed charges (3)	1,239	1,156	625	414	303
Other operating data (end of period)					
Homes passed (4)	19,245	19,437	19,631	19,562	19,739
Basic subscribers (5)	14,859	14,678	14,894	15,226	15,413
Basic penetration (6)	77.2%	75.5%	75.9%	77.8%	78.1%
Premium units (7)	5,315	4,807	4,300	4,607	4,236
Premium penetration (8)	35.8%	32.7%	28.9%	30.3%	27.5%
Average monthly revenue per basic subscriber (9)	$ 29.00	$ 32.59	$ 34.89	$ 33.41	$ 36.04

(See Notes to Selected Historical Financial and Other Data)

Taconic Technology

Currently, the assets and related liabilities that we will acquire from Taconic Technology are being operated as part of Taconic Technology. The table below sets forth selected historical data for these assets and liabilities of Taconic Technology. The historical financial data presented below reflect periods during which these assets and liabilities of Taconic Technology did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if these assets and liabilities of Taconic Technology had operated as a separate independent company during these periods, and are not necessarily indicative of the future results of operations or financial position these assets and liabilities of Taconic Technology.

The selected historical statements of operations and balance sheet data of Taconic Technology shown below for the three years ended December 31, 1998 have been derived from the financial statements of Taconic Technology, which have been audited by KPMG LLP, independent accountants. The selected financial and other data of Taconic Technology shown below for the year ended December 31, 1995 has been derived from the unaudited financial statements of Taconic Technology. The selected historical consolidated financial and other data for the three months ended March 31, 1998 and 1999 have been derived from the unaudited consolidated financial statements of Taconic Technology, which in the opinion of management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the periods presented. The audited financial statements of Taconic Technology as of December 31, 1997 and 1998 and for the two years then ended December 31, 1998 are included elsewhere herein. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the year ending December 31, 1999. You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the combined financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Year Ended December 31,				Three Months Ended March 31,	
	1995	1996	1997	1998	1998	1999
	(dollars in thousands)					
Statement of operations data						
Revenues	$1,771	$1,916	$2,005	$2,086	$ 489	$ 523
Operating expenses	1,108	1,213	1,278	1,378	343	340
Corporate overhead	56	62	34	22	9	6
Depreciation and amortization	359	432	426	426	107	105
Operating income	248	209	267	260	30	72
Interest expense, net	(129)	(102)	(79)	(17)	(17)	--
Other (expense), net	(15)	(43)	(75)	(97)	(5)	(28)
Net income	$ 104	$ 64	$ 113	$ 146	$ 8	$ 44
Balance sheet data (end of period)						
Total assets	$2,797	$2,638	$2,337	$2,372	$2,266	$2,399
Long-term debt (excluding current portion)	1,110	946	793	--	--	--
Shareholders' equity	614	678	792	1,707	1,569	1,751
Cash flow data						
Cash flows from operating activities		521	367	104	37	19
Cash flows from investing activities		(238)	(214)	(81)	(14)	(19)
Cash flows from financing activities		(283)	(153)	(23)	(23)	--
Other financial data						
EBITDA (1)	$ 607	$ 641	$ 693	$ 686	$ 137	$ 177
EBITDA margin (2)	34.3%	33.5%	34.6%	32.9%	28%	33.8%
Capital expenditures	$ 445	$ 238	$ 214	$ 81	$ 14	$ 19
Ratio of earnings to fixed charges (3)	1.7x	1.8x	2.5x	3.4x	3.7x	4.0x
Other operating data (end of period)						
Homes passed (4)	7,037	7,128	7,210	7,200	7,200	7,200
Basic subscribers (5)	4,738	4,733	4,819	5,100	4,875	5,000
Basic penetration (6)	67.3%	66.4%	66.8%	70.8%	67.7%	69.4%
Premium units (7)	1,492	1,337	1,271	1,225	1,262	1,200
Premium penetration (8)	31.5%	28.2%	26.4%	24.0%	25.9%	24.0%
Average monthly revenue per basic subscriber (9)	$31.87	$33.72	$34.98	$34.67	$34.92	$34.87

(See Notes to Selected Historical Financial and Other Data)

Avalon Cable LLC

The selected historical consolidated statement of operations and balance sheet data of Avalon Cable LLC shown below as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable LLC which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated statement of operations and balance sheet data for the period from October 21, 1998 (inception) through December 31, 1998 and as of December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable LLC, which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated financial and other data for the three months ended March 31, 1999 have been derived from the unaudited consolidated financial statements of Avalon Cable LLC, which in the opinion of the management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the periods presented. The audited consolidated financial statements of Avalon Cable LLC as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 are included elsewhere herein. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the year ending December 31, 1999. You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Period from October 21, 1998 to December 31, 1998	Three Months Ended March 31, 1999
Statement of operations data		
Revenues	$ 1,299	$ 3,551
Operating expenses	761	1,657
Corporate overhead	56	411
Depreciation and amortization	440	1,310
Operating income	42	173
Interest (expense), net	(743)	(472)
Other (expense) income, net	(1,311)	--
Net loss	$(2,054)	$ (299)
Balance sheet data (end of period)		
Total assets	$53,648	$608,795
Long-term debt (excluding current portion)	3,921	442,727
Members' interest	47,291	138,628
Cash flow data		
Cash flows from operating activities	$(1,252)	$(13,829)
Cash flows from investing activities	(15,519)	(3,547)
Cash flows from financing activities	16,988	30,386
Other financial data		
EBITDA (1)	$ 481	1,483
EBITDA margin (2)	37.0%	41.8%
Capital expenditures	157	(197)
Ratio of earnings to fixed charges (3)	--	--
Amount of the deficiency of earnings to fixed charges (3)	2,054	299
Other operating data (end of period)		
Homes passed (4)	28,350	389,049
Basic subscribers (5)	20,604	236,988
Basic penetration (6)	72.7%	60.9%
Premium units (7)	4,912	60,840
Premium penetration (8)	23.8%	25.7%
Average monthly revenue per basic subscriber (9)	$ 34.22	$ 34.94

(See Notes to Selected Historical Financial and Other Data)

Avalon Cable Holdings Finance

The selected historical consolidated statement of operations and balance sheet data of Avalon Cable Holdings Finance shown below for as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable Holdings Finance which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated statement of operations and balance sheet data for the period from October 21, 1998 (inception) through December 31, 1998 and as of December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable Holdings Finance, which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated financial and other data for the three months ended March 31, 1999 have been derived from the unaudited consolidated financial statements of Avalon Cable Holdings Finance, which in the opinion of the management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the periods presented. The audited consolidated financial statements of Avalon Cable Holdings Finance as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 are included elsewhere herein. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the year ending December 31, 1999.

You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Period from October 21, to December 31, 1998	Three Months Ended March 31, 1999
Statement of operations data		
Revenues	$ --	$ --
Operating expenses	--	--
Corporate overhead	--	--
Depreciation and amortization	--	--
Operating (loss) income	--	--
Interest (expense), net	--	--
Other (expense) income, net	--	--
Net loss	$ --	$ --
Balance sheet data (end of period)		
Total assets	$15,171	$15,338
Long-term debt (excluding current portion)	15,171	15,338
Members' interest	--	--
Cash flow data		
Cash flows from operating activities	--	--
Cash flows from investing activities	--	--
Cash flows from financing activities	--	--
Other financial data		
EBITDA (1)	$ --	$ --
EBITDA margin (2)	--	--
Capital expenditures	--	--
Ratio of earnings to fixed charges (3)	--	--
Other operating data (end of period)		
Homes passed (4)	--	--
Basic subscribers (5)	--	--
Basic penetration (6)	--	--
Premium units (7)	--	--
Premium penetration (8)	--	--
Average monthly revenue per basic subscriber (9)	$ --	$ --

(See Notes to Selected Historical Financial and Other Data)

Avalon Cable of Michigan, Inc.

The selected historical consolidated statement of operations and balance sheet data of Avalon Cable of Michigan, Inc. shown below for as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable of Michigan, Inc. which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated statement of operations and balance sheet data for the period from October 21, 1998 (inception) through December 31, 1998 and as of December 31, 1998 have been derived from the consolidated financial statements of Avalon Cable of Michigan, Inc., which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected historical consolidated financial and other data for the three months ended March 31, 1999 have been derived from the unaudited consolidated financial statements of Avalon Cable of Michigan, Inc., which in the opinion of the management of the issuers, reflect all adjustments necessary to present fairly the financial position and results of operations for the periods presented. The audited consolidated financial statements of Avalon Cable of Michigan, Inc. as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 are included elsewhere herein. The operating results for the three months ended March 31, 1999 are not necessarily indicative of results to be expected for the three years ending December 31, 1999.

This related financial and other data is for Avalon Cable of Michigan, Inc. which is a guarantor of the new notes. The predecessor to Avalon Cable of Michigan, Inc. is Cable Michigan, whose data is presented on a prior page.

You should read the information in this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus and the financial statements and related notes thereto which you can find elsewhere in this prospectus.

	Period from October 21, to December 31, 1998	Three Months Ended March 31, 1999
Statement of operations data		
Revenues	$ 13,657	$ 22,367
Operating expenses	7,469	12,131
Corporate overhead	249	374
Depreciation and amortization	6,554	10,126
Operating (loss) income	(615)	(264)
Interest (expense), net	(4,537)	(8,422)
Other (expense) income, net	31	3,206
Net loss	$ (5,121)	$ (5,480)
Balance sheet data (end of period)		
Total assets	$549,461	$611,055
Long-term debt (excluding current portion)	306,046	442,727
Stockholders' equity	132,254	16,372
Cash flow data		
Cash flows from operating activities	$ (1,345)	$ 10,108
Cash flows from investing activities	(436,302)	(43,214)
Cash flows from financing activities	439,418	37,262
Other financial data		
EBITDA (1)	$ 5,939	$ 9,952
EBITDA margin (2)	43.5%	44.5%
Capital expenditures	4,673	9,210
Ratio of earnings to fixed charges (3)	--	--
Amount of the deficiency of earnings to fixed charges (3)	5,128	264
Other operating data (end of period)		
Homes passed (4)	349,213	389,049
Basic subscribers (5)	211,537	236,988
Basic penetration (6)	60.6%	60.9%
Premium units (7)	55,550	60,840
Premium penetration (8)	26.3%	25.7%
Average monthly revenue per basic subscriber (9)	$ 34.96	$ 34.94

(See Notes to Selected Historical Financial and Other Data)

NOTES TO THE SELECTED HISTORICAL FINANCIAL AND OTHER DATA

(1) Represents net income before depreciation and amortization, interest income (expense), net, income taxes, other expenses, net, gain or loss from the sale of assets, non-recurring items and non-cash expenses. For the period from January 1, 1998 through November 5, 1998, EBITDA excludes $5,764,000 of non-recurring costs incurred by Cable Michigan. For the year ended December 31, 1997, EBITDA excludes a $2,571,000 gain recognized by Cable Michigan on the sale of a Florida cable system. Management believes that EBITDA is a meaningful measure of performance and it is commonly used in the cable television industry to analyze and compare cable television companies on the basis of operating performance, leverage and liquidity. However, EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or cash flows as a measure of liquidity, as determined in accordance with GAAP. EBITDA, as computed by management, is not necessarily comparable to similarly titled amounts of other companies. See the financial statements, including statements of cash flows, included elsewhere herein.

(2) Represents EBITDA as a percentage of revenues.

(3) The ratio of earnings to fixed charges represents the number of times fixed charges were covered by net income adjusted for provision (benefit) for income taxes, equity in (loss) of unconsolidated entities, minority interest in (loss) income of consolidated entity and fixed charges. Fixed charges consist of interest expense, net and a portion of operating lease rental expense deemed to be representative of the interest factor.

(4) The number of dwelling units in a particular community that management estimates can be connected to our cable system.

(5) A home with one or more televisions connected to a cable system is counted as one basic subscriber. Bulk accounts are included on an equivalent basic by dividing the total monthly bill for the account by the basic monthly charge for a single outlet in the area.

(6) Calculated as basic subscribers as a percentage of homes passed.

(7) Includes only single channel services offered for a monthly fee per channel and does not include tiers of channels as a package for a single monthly fee. A subscriber may purchase more than one premium service, each of which is counted as a separate premium service unit.

(8) Calculated as premium units as a percentage of basic subscribers.

(9) Represents revenues during the respective period divided by the number of months in the period divided by the average number of basic subscribers (beginning of period plus end of period divided by two) for this period.

(10) The operations of Avalon Cable of Michigan, Inc. commenced on November 6, 1998 with the acquisition of Cable Michigan.

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

Overview

General. Members of our management and investors formed Avalon Cable LLC in 1997 to acquire, operate and develop cable television systems in mid-sized suburban and exurban markets. Our operations in the New England cluster are the result of our acquisitions of AMRAC Clear View in May 1998 and of Pegasus Cable Television in July 1998. In addition, we have entered into agreements to acquire cable system assets and related liabilities of Taconic Technology which had approximately 5000 basic subscribers as of March 31, 1999 and Hometown TV which had approximately 400 basic subscribers as of March 31, 1999. The combined purchase price for these pending transactions is approximately $9.0 million. As of March 31, 1999, we had a total of 25,900 basic subscribers in our New England cluster, after giving effect to all completed and pending transactions. We expect that these pending acquisitions will close within the first half of 1999.

On November 6, 1998, we completed our acquisition of Cable Michigan. The cable systems located in the Michigan cluster account for a substantial majority of our subscribers. Since November 6, 1998, Cable Michigan has acquired all of the outstanding shares of Mercom, Inc. that we did not own for total consideration of approximately $21.9 million. In addition, we have acquired, for a combined purchase price of approximately $13.3 million, cable television systems from Nova Cablevision which had approximately 6,400 basic subscribers as of March 31, 1999, cable television systems from Cross Country Cable TV which had approximately 1,850 basic subscribers as of March 31, 1999, cable system assets of R/COM, L.C. which had approximately 800 basic subscribers as of March 31, 1999, and assets of Novagate Communications Corp., an Internet service provider which had approximately 5,000 Internet subscribers as of March 31, 1999.

Since November 6, 1998, we have also entered into agreements for our Michigan cluster to acquire the assets of Traverse Internet, Inc., an Internet service provider which had approximately 4,500 Internet subscribers as of March 1999 and certain cable system assets of Galaxy American Communications which had approximately 550 basic subscribers as of March 1999. We expect that these pending acquisitions will close within the first half of 1999. The combined purchase price for these pending transactions is approximately $2.9 million. As of March 31, 1999, we had a total of 217,100 basic subscribers and 9,500 Internet subscribers in our Michigan cluster, after giving effect to all completed and pending transactions.

In order to facilitate certain aspects of our financing, on March 26, 1999, we completed a series of transactions we refer to as the "reorganization:"

- Avalon Cable of Michigan, Inc. transferred substantially all of its assets and liabilities to Avalon Cable LLC, which then transferred these assets and liabilities to Avalon Cable of Michigan LLC and, as a result, Avalon Cable of Michigan LLC now operates our Michigan cluster;

- Avalon Cable of Michigan Holdings, Inc. ceased to be an obligor on the old notes and together with Avalon Cable of Michigan, Inc. became a guarantor of the obligations of Avalon Cable LLC under the old notes;

- Avalon Cable of Michigan LLC became an additional obligor on the senior subordinated notes and the credit facility; 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 all of the obligations of Avalon Cable of Michigan LLC under the senior subordinated notes and the credit facility.

We do not expect that this reorganization will impact our operations. The reorganization has impacted the financial statements of Avalon Cable of Michigan Holdings, Avalon Cable of Michigan, Inc., and Avalon Cable of Michigan LLC as follows:

- The $196 million principal amount at maturity of old notes and their associated discount and deferred financing costs of Avalon Cable of Michigan Holdings were transferred to Avalon Cable of Michigan,

Inc. This increased the equity in Avalon Cable of Michigan Holdings and reduced the equity in Avalon Cable of Michigan, Inc.

- The assets and liabilities, excluding the deferred tax liabilities, net of Avalon Cable of Michigan, Inc. were then transferred to Avalon Cable LLC in exchange for an approximate 88% interest in Avalon Cable LLC. The assets and liabilities transferred by Avalon Cable of Michigan, Inc. to Avalon Cable LLC included the old notes and associated discount and deferred financing costs received from Avalon Cable of Michigan Holdings.

- Avalon Cable LLC contributed the assets and liabilities received from Avalon Cable of Michigan, Inc., other than the old notes and associated discount and deferred financing costs, to its wholly-owned subsidiary, Avalon Cable of Michigan LLC. Since Avalon Cable LLC and Avalon Cable of Michigan, Inc. are under common control, these assets and liabilities were recorded at their historical cost.

- Avalon Cable of Michigan LLC's statement of operations will include activity from the date after the reorganization through March 31, 1999.

- At March 31, 1999, the financial statements of Avalon Cable LLC were consolidated in Avalon Cable of Michigan, Inc. with a minority interest of approximately 12%.

- Intercompany debt with Avalon Cable of New England was cancelled.

Although Avalon Cable of Michigan Holdings and Avalon Cable of Michigan, Inc. are guarantors of the obligations of Avalon Cable LLC under the new notes, their assets consist of their equity interests in Avalon Cable of Michigan, Inc. and Avalon Cable LLC, respectively. As a result, you should not expect Avalon Cable of Michigan Holdings and Avalon Cable of Michigan, Inc., as guarantors, to have any assets available to make interest and principal payments on the new notes since they do not have other operations and will not have access to additional sources of cash flow other than their investment in the respective companies.

We have implemented a number of operational and organizational changes to the businesses we have acquired and expect others, including in connection with pending acquisitions. As a result, we believe that the historical results of operations presented below of each of Cable Michigan, AMRAC Clear View, Pegasus Cable Television, and Taconic Technology may not be indicative of our results of operations in the future. For additional information, please refer to "--Pro Forma Operating Results" section of this prospectus.

Revenues. Our revenues are primarily attributable to monthly subscription fees charged to subscribers for our basic and premium cable television programming services. Our basic revenues consist of monthly subscription fees for all services other than premium programming, as well as monthly charges for customer equipment rental. Premium revenues consist of monthly subscription fees for programming provided on a per channel basis. In addition, we derive other revenues from installation and reconnection fees that we charge to subscribers to commence or reinstate service, pay-per-view charges, late payment fees, advertising revenues and commissions related to the sale of merchandise by home shopping services.

Operating Expenses. Our expenses primarily consist of programming fees, plant and operating costs, general and administrative expenses, and marketing costs directly attributable to our cable systems. We expect that our programming costs will increase in the ordinary course of our business as a result of increases in the number of subscribers, increases in the number of channels that we provide to customers and contractual rate increases from our programming suppliers. We benefit and expect to continue to benefit from our membership in industry cooperatives which provide members with volume discounts from programming networks and cable equipment vendors. Plant and operating costs include expenses related to wages and employee benefits, electricity, systems supplies, vehicles and other operating costs. General and administrative expenses directly

attributable to the systems include wages and employee benefits for customer service, accounting and administrative personnel, franchise fees and expenses related to billing, payment processing and office administration.

Pro Forma Operating Results. We have begun to implement operating changes in the business formerly conducted by Cable Michigan. Most notably, we directly manage Cable Michigan's operations through a twelve person corporate staff and we no longer pay RCN Corporation a management fee or reimburse RCN Corporation for allocated costs. As a result, we have eliminated the RCN Corporation management fee of $3.2 million for the year ended December 31, 1998. Management expects to eliminate certain corporate overhead expenses at Nova Cablevision, Cross Country Cable TV, Novagate Communications, R/COM, Traverse Internet, Galaxy American Communications, Taconic Technology and Hometown TV of $1.5 million for the year ended December 31, 1998.

Amortization and depreciation. On a pro forma basis, our depreciation and amortization has and will increase by approximately $7.3 million on a yearly basis due to our acquisitions and the associated fair value allocation to fixed assets and intangibles associated with these purchases.

Interest expense, net. On a pro forma basis, interest expense would be $31.5 million. Interest expense is expected to continue at approximately this amount subject to increases for additional borrowings for acquisitions and fluctuations due to the floating interest rates we pay under our credit facility.

On a pro forma basis, our cash flows from operating, investing and financing activities for the year ended December 31, 1998 were $27.7 million, $(556.1) million, and $510.5 million, respectively, reflecting our acquisition and financing activities described elsewhere herein.

In addition, we expect to eliminate non-recurring or one-time operating costs incurred by Cable Michigan of $1.9 million for the year ended December 31, 1998. These non-recurring costs include expenses such as litigation expenses, expenses associated with a May 1998 storm in Grand Rapids, expenses related to the relocation of the customer call center to Michigan and one-time costs associated with special promotions. We also expect lower administrative costs through the elimination of some public company expenses of $394,000. For the year ended December 31, 1998 we expect a total savings of $7.0 million on a pro forma basis.

For the quarter ended March 31, 1999 management expects to eliminate certain corporate overhead expenses at Traverse Internet, Galaxy American Communications, Hometown TV and Taconic Technology of $213,000. We also do not expect a recurrence of a credit resulting from the May 1998 storm insurance adjustment of $80,000.

Other operating changes include changes in the areas of customer service and programming, all of which RCN Corporation managed for Cable Michigan. To better serve subscribers located in Michigan, we relocated the customer call center from Pennsylvania, which Cable Michigan shared with RCN Corporation and Commonwealth Telephone Enterprises, to a site within Michigan and reconfigured the call center to operate as a stand-alone entity. Management is currently analyzing its options for acquiring programming for the Michigan cluster. We are currently using our existing membership in the National Cable Television Cooperative to program both the Michigan cluster and the New England cluster. We are exploring joining the programming consortium that RCN Corporation used in managing Cable Michigan as well as engaging in direct negotiations with programming suppliers. Management currently believes that, in the aggregate, our expenses in these areas for the Michigan cluster will not be materially different than those of Cable Michigan, considering for these purposes both the direct costs incurred by Cable Michigan and the allocated costs reimbursed to RCN Corporation.

Giving effect to the foregoing operating and organizational changes and other adjustments described above, the issuers on a combined basis would have had pro forma EBITDA of $11.1 million and $41.7 million and pro forma Adjusted EBITDA of $10.8 million and $48.7 million for the three months and year ended December 31, 1998, respectively. We define EBITDA as net income before depreciation and amortization, interest income (expense), net, income taxes, other expenses, net, gain or loss from the sale of assets, nonrecurring items and non-cash expenses. Adjusted EBITDA adjusts EBITDA for the elimination of certain expenses and the inclusion of overhead expenses as contemplated in the definition of "Leverage Ratio" in the indenture governing the new notes. The "Leverage Ratio" is used in determining when the issuers and their subsidiaries may incur additional indebtedness. Management believes that EBITDA is a meaningful measure of performance and it is commonly used in the cable television industry to analyze and compare cable television companies on the basis of operating performance, leverage and liquidity. However, EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or cash flows as a measure of liquidity, as determined in accordance with GAAP. EBITDA, as computed by management, is not necessarily comparable to similarly titled amounts of other companies. See the financial statements, including statements of cash flows, included elsewhere herein.

We cannot assure you that we will fully realize our anticipated cost savings associated with our planned operating changes or our elimination of certain management fees, redundant corporate, general and administrative costs. We also cannot assure you that unanticipated costs in combining or operating the businesses we plan to acquire will not reduce or eliminate our anticipated cost savings.

Seasonality. We expect that our revenues and EBITDA will be slightly seasonal. On a combined basis after giving effect to the Acquisitions, the issuers generated approximately 51.2% of the their revenues for the fiscal year ended December 31, 1998 during the second and third quarters. Management believes this seasonality is primarily the result of increased use of vacation homes in its Michigan cluster from April to September.

Results of Operations

Overview

The following historical results of operations of Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, and Avalon Cable of Michigan, Inc. refer to their results of operations for the quarter ended March 31, 1999 compared to the period from acquisition or contribution (November 6, 1998) to December 31, 1998.

Avalon Cable of Michigan Holdings, Inc.

On November 6, 1998, Cable Michigan merged with and into Avalon Cable of Michigan, Inc., a wholly-owned subsidiary of Avalon Cable of Michigan Holdings and Avalon Cable of Michigan, Inc. commenced its operations. Therefore, the financial and other data for Cable Michigan for the period from November 6, 1998 to December 31, 1998 is reflected in the financial and other data for Avalon Cable of Michigan Holdings.

On March 26, 1999, Avalon Cable of Michigan, Inc. acquired the remaining minority interest in Mercom for approximately $21.9 million. During the first quarter, Avalon Cable of Michigan, Inc. also acquired the cable television systems of Nova Cablevision and Cross Country Cable for $10.7 million in the aggregate.

In March 1999, after the acquisition of Mercom, Inc., Avalon Cable of Michigan, Inc. and its affiliates completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- Avalon Cable of Michigan, Inc. 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 Cable of Michigan Holdings, Inc. contributed the old notes and associated deferred financing costs to Avalon Cable of Michigan, Inc., who in turn contributed the notes and deferred financing costs to Avalon Cable LLC.

- Each of Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. became a guarantor of the obligations of Avalon Cable LLC under the old notes. Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. do not have significant assets, other than their investments in Avalon Cable of Michigan, Inc. and Avalon Cable LLC, respectively.

Three months ended March 31, 1999 compared to the period from November 6 to December 31, 1998

Revenues for the three months ended March 31, 1999 were $22.4 million, an increase of $8.7 million, or 63%, as compared to revenues of $13.7 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days as well as the impact of subscribers from the acquisitions offset by a decrease in revenue of $0.6 million relating to a decrease in the number of subscribers due to seasonality and competition.

Operating expenses excluding depreciation and amortization, corporate overhead and non-recurring expenses were $12.1 million for the three months ended March 31, 1999, an increase of $4.6 million, or 61%, as compared to $7.5 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days, a regulation change which allowed programmers to increase programming rates ($0.9 million) offset by the discontinuance of the RCN management fee, lower franchise fees due to a decrease in number of subscribers and the addition of employees.

Operating loss before depreciation and amortization, corporate overhead and non-recurring expenses was $(0.3) million for the three months ended March 31, 1999, a decrease of $0.3 million, or 50%, as compared to $(0.6) million for the period from November 6 to December 31, 1998.

Depreciation and amortization for the three months ended March 31, 1999 was $10.1 million, an increase of $3.5 million, or 54%, compared to $6.5 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days and the impact of additional depreciation and amortization from the additional acquisitions.

Interest expense, net was $11.5 million for the three months ended March 31, 1999, an increase of $4.7 million, or 69%, compared to $6.8 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days and additional interest on new borrowings.

Other (expense) income, net was $4.4 million for the three months ended March 31, 1999, an increase of $5.1 million, compared to $(0.1) million for the period from November 6 to December 31, 1998. This increase is the effect of the tax benefit associated with the net loss for the period and that the period from November 6 to December 31, 1998 included an extraordinary loss on extinguishment of debt of $(3.0) million.

There was a net loss of $7.4 million for the three months ended March 31, 1999, a decrease of $0.8 million, or 10%, compared to a net loss of $8.2 million for the period from November 6 to December 31, 1998.

Avalon Cable LLC

In the first quarter of 1999, Avalon Cable of New England LLC, a wholly-owned subsidiary of Avalon Cable LLC, formed Avalon.com, a wholly-owned subsidiary. Avalon.com plans to provide internet services to customers in the New England and Michigan cable areas served by Avalon Cable of New England or Avalon Cable of Michigan LLC, a wholly-owned subsidiary of Avalon Cable LLC.

On March 26, 1999, after the acquisition of Mercom, Inc., Avalon Cable LLC and its affiliates completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- Avalon Cable of Michigan, Inc. 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 Cable of Michigan Holdings, Inc. contributed the old notes and associated deferred financing costs to Avalon Cable of Michigan, Inc. who in turn contributed the notes and deferred financing costs to Avalon Cable LLC.

Three months ended March 31, 1999 compared to the period from November 6 to December 31, 1998

Revenues for the three months ended March 31, 1999 were $3.6 million, an increase of $2.3 million, or 177%, as compared to revenues of $1.3 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days as well as the impact of subscribers contributed by Avalon Cable of Michigan, Inc. on March 26, 1999.

Operating expenses excluding depreciation and amortization, corporate overhead and non-recurring expenses were $1.7 million for the three months ended, an increase of $0.9, or 113%, as compared to $0.8 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days, a regulation change which allowed programmers to increase programming rates ($0.9 million), and the addition of employees, offset by lower franchise fees due to a decrease in number of subscribers.

Operating income before depreciation and amortization, corporate overhead and non-recurring expenses was $1.5 million for the three months ended March 31, 1999, an increase of $1.0 million, or 200%, as compared to $0.5 for the period from November 6 to December 31, 1998.

Depreciation and amortization for the three months ended March 31, 1999 was $1.3 million, an increase of $0.9 million, or 225%, compared to $0.4 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days and the impact of additional depreciation and amortization relating to the closing of the acquisitions as well as the contribution of fixed assets and intangible assets contributed by Avalon Cable of Michigan, Inc. on March 26, 1999.

Interest expense, net was $0.5 million for the three months ended March 31, 1999, a decrease of $0.2 million, or 76%, compared to $0.7 million for the period from November 6 to December 31, 1998. This decrease is primarily related to the effects of having a full quarter compared to 55 days and the note receivable from affiliate being outstanding during the entire quarter offset by the interest expense on the debt from March 27 through March 31, 1999 contributed by Avalon Cable of Michigan, Inc.

Other (expense) income, net was $0.0 million for the three months ended March 31, 1999, an increase of $1.3 million, compared to $(1.3) million for the period from November 6 to December 31, 1998. This increase is the effect of the period from November 6 to December 31, 1998 included an extraordinary loss on extinguishment of debt of $(1.3) million.

Net loss was $0.3 million for the three months ended March 31, 1998, a decrease of $1.8 million or 86%, compared to $2.1 million for the period from November 6 to December 31, 1998.

Avalon Cable of Michigan, Inc.

On November 6, 1998, Cable Michigan merged with and into Avalon Cable of Michigan, Inc. and Avalon Cable of Michigan, Inc. commenced its operations. Therefore, the financial and other data for Cable Michigan for the period from November 6, 1998 to December 31, 1998 is reflected in the financial and other data for Avalon Cable of Michigan, Inc.

On March 26, 1999, Avalon Cable of Michigan, Inc. acquired the remaining minority interest of Mercom for approximately $21.9 million. During the quarter, Avalon Cable of Michigan, Inc. also acquired the cable television systems of Nova Cablevision and Cross Country Cable for $10.7 million.

In March 1999, Avalon Cable of Michigan, Inc. and its affiliates completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- Avalon Cable of Michigan, Inc. 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 Cable of Michigan, Inc. is a guarantor of the obligations of Avalon Cable LLC under the old notes and the new notes and a guarantor of Avalon Cable of Michigan LLC's obligations under the senior subordinated notes and the credit facility. Avalon Cable of Michigan, Inc. does not have significant assets, other than its investment in Avalon Cable LLC.

Three months ended March 31, 1999 compared to the period from November 6 to December 31, 1998

Revenues for the three months ended March 31, 1999 were $22.4 million, an increase of $8.7 million, or 63%, as compared to revenues of $13.7 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days as well as the impact of subscribers from the acquisitions offset by a decrease in revenue of $0.6 million relating to a decrease in the number of subscribers due to seasonality and competition.

Operating expenses excluding depreciation and amortization, corporate overhead and non-recurring expenses were $12.1 million for the three months ended March 31, 1999, an increase of $4.6 million, or 61%, as compared to $7.5 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days, a regulation change which allowed programmers to increase programming rates ($0.9 million) offset by the discontinuance of the RCN management fee, lower franchise fees due to a decrease in number of subscribers and the addition of employees.

Operating loss before depreciation and amortization, corporate overhead and non-recurring expenses was $(0.3) million for the three months ended March 31, 1999, a decrease of $0.3 million, or 50%, as compared to $(0.6) for the period from November 6 to December 31, 1998.

Depreciation and amortization for the three months ended March 31, 1999 was $10.1 million, an increase of $3.5 million, or 54%, compared to $6.5 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days and the impact of additional depreciation and amortization relating to the closing of the acquisitions.

Interest expense, net was $8.4 million for the three months ended March 31, 1999, an increase of $3.9 million, or 86%, compared to $4.5 million for the period from November 6 to December 31, 1998. This increase is primarily related to the effects of having a full quarter compared to 55 days, additional interest on new borrowings as well as the contribution of the Senior Discount Notes from Avalon Cable of Michigan Holdings.

Other (expense) income, net was $3.2 million for the three months ended March 31, 1999, an increase of $3.2 million, or 100%, compared to $0.0 million for the period from November 6 to December 31, 1998. This increase is the effect of the tax benefit associated with the net loss for the period and that the period from November 6 to December 31, 1998 included an extraordinary loss on extinguishment of debt of $(1.4) million.

Net loss was $5.5 million for the three months ended March 31, 1999, an increase of $0.4 million, or 8%, compared to $5.1 million for the period from November 6 to December 31, 1998.

The following historical results of operations of Cable Michigan, AMRAC Clear View, Pegasus Cable Television and Taconic Technology refer to their results of operations occurring before their respective acquisition by us, other than a portion of the results of AMRAC Clear View and Pegasus Cable Television for the year ended December 31, 1998 during which AMRAC Clear View and Pegasus Cable Television were owned by us. Our management intends to implement a number of operational and organizational changes to the businesses described below. As a result, our management believes that the historical results of operations described below are not necessarily indicative of our future results of operations. For additional information, please refer to the "--Overview--Pro Forma Operating Results" section of this prospectus.

Cable Michigan

General

Prior to September 30, 1997, Cable Michigan was operated as a part of Commonwealth Telephone Enterprises. On September 30, 1997, Commonwealth Telephone Enterprises distributed all of the outstanding common stock of Cable Michigan to its stockholders and Cable Michigan became a separate, publicly traded company. The historical financial and other data for Cable Michigan presented below reflect periods during which Cable Michigan did not operate as a separate company and, accordingly, certain assumptions were made in preparing the financial data. Therefore, the data may not reflect the results of operations or financial condition which would have resulted had Cable Michigan operated as a separate, independent company during these periods, and are not necessarily indicative of Cable Michigan's future results of operations or financial condition.

Cable Michigan acquired a majority voting interest in Mercom in August 1995 in a common stock rights offering. Immediately before the rights offering, Cable Michigan held a 43.6% interest in Mercom and accounted for its investment under the equity method. Following the rights offering, Cable Michigan held a 61.9% interest in Mercom and has consolidated Mercom in its financial statements since August 1995.

On November 6, 1998, Cable Michigan merged with and into Avalon Cable of Michigan, Inc., a wholly-owned subsidiary of Avalon Cable of Michigan Holdings and Avalon Cable of Michigan, Inc. commenced its operations. Therefore, the financial and other data for Cable Michigan for the period from November 6, 1998 to December 31, 1998 is reflected in the financial and other data for Avalon Cable of Michigan, Inc.

Nine Months Ended September 30, 1998 Compared with Nine Months Ended September 30, 1997

Revenues for the nine months ended September 30, 1998 were $65.8 million, an increase of $4.9 million, or 8.0%, as compared to revenues of $60.9 million for the nine months ended September 30, 1997. This increase was primarily due to the effects of rate increases implemented in May 1998 and February 1997 and an increase in the average number of basic subscribers of approximately 3.6%. The average number of basic subscribers is calculated as the sum of the number of basic subscribers at the beginning of the period and at the end of the period divided by two.

Operating expenses excluding depreciation and amortization, corporate overhead and non-recurring expenses were $33.9 million for the nine months ended September 30, 1998, an increase of $3.4 million, or 11.1%, as compared to $30.5 million for the nine months ended September 30, 1997. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers, increases in the number of channels provided to customers and increases in the number of basic subscribers.

Operating income before depreciation and amortization, corporate overhead and non-recurring expenses was $31.9 million for the nine months ended September 30, 1998, an increase of $1.5 million, or 4.9%, as compared to $30.4 million for the nine months ended September 30, 1997.

Net loss was $8.9 million for the nine months ended September 30, 1998, an increase of $5.6 million or 170%, as compared to $3.3 million for the nine months ended September 30, 1997.

Year Ended December 31, 1997 Compared with the Year Ended December 31, 1996

Revenues for the year ended December 31, 1997 were $81.3 million, an increase of $5.1 million, or 6.7%, as compared to revenues of $76.2 million for the year ended December 31, 1996. This increase was primarily due to the effects of rate increases implemented in the first quarter of 1996 and 1997 and an increase in the average number of basic subscribers of approximately 3.1%.

Operating expenses excluding depreciation and amortization and corporate overhead were $41.0 million for the year ended December 31, 1997, an increase of $4.0 million, or 10.8%, as compared to $37.0 million for the year ended December 31, 1996. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers, increases in the number of channels provided to customers and increases in the number of basic subscribers, as well as increased payroll and benefits costs.

Operating income before depreciation and amortization and corporate overhead was $40.3 million for the year ended December 31, 1997, an increase of $1.1 million, or 2.8%, as compared to $39.2 million for the year ended December 31, 1996.

Depreciation and amortization was $32.1 million in 1997, an increase of $.7 million or 2.1% as compared to 1996. Interest expense was $11.8 million in 1997, a decrease of approximately $3.4 million, or 22.6% as compared to 1996 due to lower notes payable to affiliates, partially offset by an increase in interest expense on new third-party debt. For the year ended December 31, 1997, Cable Michigan realized a gain of $2.6 million on the sale of the Port St. Lucie cable operations of Mercom which also resulted in an increase in the minority share of Mercom's income.

Net loss was $4.4 million for the year ended December 31, 1997, a decrease of $3.9 million, or 47%, as compared to $8.3 million for the year ended December 31, 1996.

For the year ended December 31, 1997, Cable Michigan's net cash provided by operating activities was $18.3 million, comprised primarily of a net loss of $4.4 million adjusted by non-cash depreciation and amortization of $32.1 million, other non-cash items resulting in a decrease of $4.1 million and working capital changes of a decrease of $4.6 million. Net cash used in investing activities of $10.0 million consisting primarily of additions to property, plant and equipment of $14.0 million, partially offset by proceeds from the sale of Port St. Lucie of $3.5 million. Net cash provided by financing activities of $5.6 million consisted of the issuance of long-term debt of $128.0 million and transfers from Commonwealth Telephone Enterprises of $12.5 million, substantially offset by a change in affiliate notes of $116.8 million and redemption of long-term debt of $17.4 million.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

Revenues for the year ended December 31, 1996 were $76.2 million, an increase of $15.5 million, or 25.5%, as compared to revenues of $60.7 million for the year ended December 31, 1995. This increase primarily resulted from the consolidation of the financial results of Mercom for a full year in 1996 as compared to only five months in 1995. Mercom accounted for $9.6 million of the increase in revenues over the same period in 1995. The remaining $5.9 million increase was due to an increase in the average number of Cable Michigan's basic subscribers of approximately 5.2% and the effects of rate increases implemented in April 1995 and February 1996. On an annualized basis, Mercom's revenues increased approximately $1.6 million, or 11.7%, of which approximately $1.0 million related to a rate increase implemented in February 1996 and approximately $600,000 related to an increase in the average number of Mercom's basic subscribers by 3.5%.

Operating expenses excluding depreciation and amortization and corporate overhead were $37.0 million for the year ended December 31, 1996, an increase of $8.5 million, or 29.8%, as compared to $28.5 million for the year ended December 31, 1995. This increase was primarily due to the consolidation of the financial results of Mercom for a full year in 1996 as compared to only five months in 1995. Mercom contributed $6.5 million to the increase in operating expenses in 1996. The remaining $2.0 million increase was the result of higher programming costs of Cable Michigan due to contractual rate increases from programming suppliers, increases in the number of channels provided to customers and increases in the number of basic subscribers. On an annualized basis, Mercom's operating expenses excluding depreciation and amortization increased approximately $1.2 million, or 13.5%, primarily as a result of higher programming costs due to contractual increases from program suppliers.

Operating income before depreciation and amortization and corporate overhead was $39.2 million for the year ended December 31, 1996, an increase of $7.0 million, or 21.7%, as compared to $32.2 million for the year ended December 31, 1995. Of this increase, $3.1 million resulted from the consolidation of the financial results of Mercom for a full year in 1996 as compared to only five months in 1995.

Depreciation and amortization was $31.4 million in 1996, an increase of $6.3 million, or 24.9% as compared to 1995. The increase is attributable to the securing of a majority voting interest in Mercom in August 1995. Mercom's financial results have been consolidated since that time resulting in an increase in depreciation and amortization of approximately $5.8 million for the twelve months in 1996 as compared to the five months in 1995. Interest expense was $15.2 million in 1996, a decrease of approximately $.8 million, or 5% as compared to 1995, due to a combination of lower average outstanding borrowings and lower average interest rates. Cable Michigan acquired a majority voting interest in Mercom in August 1995 pursuant to a common stock rights offering. Immediately prior to the rights offering, Cable Michigan had a 43.63% interest in Mercom and accounted for its investment under the equity method. Following the rights offering, Cable Michigan has a 61.92% interest in Mercom and has consolidated Mercom in its financial statements since August 1995. As a result, for 1995, minority interest in the income of Mercom was a loss of $.2 million while for 1996, minority interest in the loss of Mercom was $1.2 million.

Net loss was $8.3 million for the year ended December 31, 1996, a decrease of $2.2 million, or 21%, as compared to $10.5 million for the year ended December 31, 1995.

For the year ended December 31, 1996, Cable Michigan generated cash from operating activities of $27.8 million, comprised principally of a net loss of $8.3 million adjusted for non-cash depreciation and amortization of $31.4 million, other non-cash items of $2.1 million and working capital changes of $2.4 million. Net cash used in investing activities was $9.2 million, comprised principally of capital expenditures of $9.6 million. Net cash used in financing activities was $18.3 million, comprised of a decrease in affiliate notes of $16.8 million and principal payments on long-term debt of $1.5 million.

Pegasus Cable Television

General

Prior to July 21, 1998, Pegasus Cable Television was operated as part of Pegasus Communications Corporation. The historical combined financial data presented below reflect periods during which Pegasus Cable Television did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if Pegasus Cable Television had operated as a separate independent company during these periods, and are not necessarily indicative of Pegasus Cable Television's future results of operations or financial position.

Six Months Ended June 30, 1998 Compared with Six Months Ended June 30, 1997

Revenues for the six months ended June 30, 1998 were approximately $3.3 million, an increase of $287,000, or 9.6%, as compared to revenues of approximately $3.0 million for the six months ended June 30, 1997. This increase was primarily due to the effects of rate increases implemented in the first quarters of 1997 and 1998 and an increase in the average number of basic subscribers of approximately 1.3% during the six months ended June 30, 1998.

Operating expenses excluding depreciation and amortization and corporate overhead were approximately $1.7 million for the six months ended June 30, 1998, an increase of $75,000, or 4.7%, as compared to $1.6 million for the six months ended June 30, 1997. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers, increases in the number of channels provided to customers and increases in the number of basic subscribers.

Operating income before depreciation and amortization and corporate overhead was approximately $1.6 million for the six months ended June 30, 1998, an increase of $212,000, or 15.1%, as compared to $1.4 million for the six months ended June 30, 1997.

Net loss was $0.3 million for the six months ended June 30, 1998, a decrease of $0.1 million, or 25%, as compared to $0.4 million for the six months ended June 30, 1997.

Year Ended December 31, 1997 Compared with Year Ended December 31, 1996

Revenues for the year ended December 31, 1997 were $6.2 million, an increase of $416,000, or 7.2%, as compared to revenues of $5.8 million for the year ended December 31, 1996. This increase was primarily due to the effects of rate increases implemented during the second quarter of 1996 and the second quarter of 1997 and the addition of a new tier of expanded basic programming in the first quarter of 1997, which together increased average revenue per subscriber.

Operating expenses excluding depreciation and amortization and corporate overhead were $3.2 million for the year ended December 31, 1997, an increase of $166,000, or 5.5%, as compared $3.0 million for the year ended December 31, 1996. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers and the introduction of a new tier of programming.

Operating income before depreciation and amortization and corporate overhead was $3.0 million for the year ended December 31, 1997, an increase of $250,000, or 8.9%, as compared to $2.8 million for the year ended December 31, 1996.

Net loss was $0.6 million for the year ended December 31, 1997, a decrease of $0.6 million, or 50%, compared to $1.2 million for the year ended December 31, 1996.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

Revenues for the year ended December 31, 1996 were $5.8 million, an increase of $640,000, or 12.5%, as compared to revenues of $5.1 million for the year ended December 31, 1995. This increase was primarily due to the restructuring of its basic service offerings and rate increases implemented in the first half of 1996.

Operating expenses excluding depreciation and amortization and corporate overhead were $3.0 million for the year ended December 31, 1996, an increase of $420,000, or 16.2%, as compared to $2.6 million for the year ended December 31, 1995. This increase was primarily due to an increase in the number of channels per subscriber associated with the restructuring of its basic service described above and higher programming costs resulting from contractual rate increases from programming suppliers.

Operating income before depreciation and amortization and corporate overhead was $2.8 million for the year ended December 31, 1996, an increase of $220,000, or 8.8%, as compared to $2.5 million for the year ended December 31, 1996.

Net loss was $1.2 million for the year ended December 31, 1996, a decrease of $0.1 million, or 8%, compared to $1.3 million for the year ended December 31, 1995.

AMRAC Clear View

Period Ended May 28, 1998 Compared with Period Ended May 28, 1997

Revenues for the period ended May 28, 1998 were $779,000, remaining virtually unchanged, as compared to revenues of $786,000 for the period ended May 28, 1997.

Operating expenses excluding depreciation and amortization and corporate overhead were $443,000 for the period ended May 28, 1998, an increase of $8,000, or 1.8%, as compared to $435,000 for the period ended May 28, 1997. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers.

Operating income before depreciation and amortization and corporate overhead was $336,000 for the period ended May 28, 1998, a decrease of $15,000, or 4.3%, as compared to $351,000 for the period ended May 28, 1997.

Net income was $0.2 million for each of the periods ended May 28, 1998 and 1997.

Year Ended December 31, 1997 Compared with Year Ended December 31, 1996

Revenues for the year ended December 31, 1997 were approximately $1.9 million, an increase of $95,000, or 5.3%, as compared to revenues of approximately $1.8 million for the year ended December 31, 1996. This increase was primarily due to an increase in the average number of basic subscribers of approximately 2.2% for the year ended December 31, 1997 and a full year's impact from the launch of pay-per-view channels in the fourth quarter of 1996.

Operating expenses excluding depreciation and amortization and corporate overhead were $1.0 million for the year ended December 31, 1997, a decrease of $7,000, or 0.7%, for the year ended December 31, 1996. This decrease was primarily due to the elimination of a management position in the first quarter of 1997, which was partially offset by higher programming costs resulting from contractual rate increases from programming suppliers and increases in the number of basic subscribers.

Operating income before depreciation and amortization and corporate overhead was $864,000 for the year ended December 31, 1997, an increase of $102,000, or 13.4%, as compared to $762,000 for the year ended December 31, 1996.

Net income was $0.6 million for the year ended December 31, 1997, an increase of $0.4 million, or 200%, compared to $0.2 million for the year ended December 31, 1996.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

Revenues for the year ended December 31, 1996 were $1.8 million, an increase of $106,000, or 6.2%, as compared to revenues of $1.7 million for the year ended December 31, 1995. This increase was primarily due to an increase in the average number of basic subscribers of approximately 3.7%.

Operating expenses excluding depreciation and amortization and corporate overhead were $1.0 million for the year ended December 31, 1996, an increase of approximately $70,000, or 7.2%, as compared to $975,000 for the year ended December 31, 1995. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers and increases in the number of basic subscribers.

Operating income before depreciation and amortization and corporate overhead was $762,000 for the year ended December 31, 1996, an increase of $36,000, or 5.0%, as compared to $726,000 for the year ended December 31, 1995.

Net income was $0.2 million for each of the years ended December 31, 1996 and 1995.

Taconic Technology

General

Currently, the assets and liabilities that we will acquire from Taconic Technology is operated as part of Taconic Technology Corporation. The historical financial data presented below reflect periods during which these assets and liabilities of Taconic Technology did not operate as an independent company and, accordingly, certain allocations were made in preparing the financial data. Therefore, this data may not reflect the results of operations or the financial condition which would have resulted if these assets and liabilities of Taconic Technology had operated as a separate independent company during these periods, and are not necessarily indicative of Taconic Technology's future results of operations or financial position.

Quarter Ended March 31, 1999 Compared with Quarter Ended March 31, 1998

Revenues for the quarter ended March 31, 1999 were approximately $523,000, an increase of $34,000 or 7.0%, as compared to revenues of approximately $489,000 for the quarter ended March 31, 1998. This increase was primarily due to the effects of rate increases implemented in the first quarter of 1998 and an increase in the average number of subscribers.

Operating expenses excluding depreciation and amortization and corporate overhead were approximately $340,000 for the quarter ended March 31, 1999, a decrease of $5,000, or 1.4%, as compared to $345,000 for the quarter ended March 31, 1998. This decrease was primarily due to higher programming costs associated with the growth in subscribers offset by lower expenses due to timing in marketing expenses.

Operating income before depreciation and amortization and corporate overhead was approximately $183,000 for the quarter ended March 31, 1999, an increase of $39,000, or 27.1%, as compared to $144,000 for the quarter ended March 31, 1998.

Net income was $43,000 and $8,000 for the quarters ended March 31,1999 and March 31, 1998, respectively.

Year Ended December 31, 1998 Compared with Year Ended December 31, 1997

Revenues for the year ended December 31, 1998 were approximately $2.1 million, an increase of $81,000 or 3.9%, as compared to revenues of approximately $2.0 million for the year ended December 31, 1997. This increase was primarily due to the effects of rate increases implemented in the first quarter of 1997 and 1998 and an increase in the average number of basic subscribers of approximately 6%.

Operating expenses excluding depreciation and amortization and corporate overhead were approximately $1.4 million for the year ended December 31, 1998, an increase of $100,000, or 7.8%, as compared to $1.3 million for the year ended December 31, 1997. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers and increases in the number of basic subscribers.

Operating income before depreciation and amortization and corporate overhead was $686,000 for the year ended December 31, 1998, a decrease of $7,000, or 1.0%, as compared to $693,000 for the year ended December 31, 1997.

Net income was $0.1 million for each of the years ended December 31, 1998 and 1997.

Year Ended December 31, 1997 Compared with Year Ended December 31, 1996

Revenues for the year ended December 31, 1997 were $2.0 million, an increase of $89,000, or 4.7%, as compared to revenues of $1.9 million for the year ended December 31, 1996. This increase was primarily due to the effects of rate increases implemented in the first quarter of 1996 and 1997.

Operating expenses excluding depreciation and amortization and corporate overhead were $1.3 million for the year ended December 31, 1997, an increase of $65,000, or 5.4%, as compared to $1.2 million for the year ended December 31, 1996. This increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers.

Operating income before depreciation and amortization and corporate overhead was $727,000 for the year ended December 31, 1997, an increase of $24,000, or 3.4%, as compared to $703,000 for the year ended December 31, 1996.

Net income was $0.8 million for the year ended December 31, 1997, an increase of $0.1 million, or 14%, compared to $0.7 million for the year ended December 31, 1996.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

Revenues for the year ended December 31, 1996 were $1.9 million, an increase of $145,000, or 8.1%, as compared to revenues of $1.8 million for the year ended December 31, 1995. This increase was primarily due to the effects of rate increases that were implemented in the first quarter of 1996 and an increase in the average number of basic subscribers of approximately 2.3%.

Operating expenses excluding depreciation and amortization and corporate overhead were $1.2 million for 1996, an increase of $105,000, or 9.5%, as compared to $1.1 million for the year ended December 31, 1995. The increase was primarily due to higher programming costs resulting from contractual rate increases from programming suppliers and increases in the number of basic subscribers.

Operating income before depreciation and amortization and corporate overhead was $703,000 for 1996, an increase of $40,000, or 6.0%, as compared to $663,000 for the year ended December 31, 1995.

Net income was $0.1 million for each of the years ended December 31, 1998 and 1997.

Liquidity and Capital Resources

The cable television business generally requires substantial capital for the construction, expansion, upgrade and maintenance of the delivery system. In addition, we have pursued, and will continue to pursue, a business strategy that includes selective acquisitions. We have funded our acquisitions, capital expenditures and working capital requirements to date through a combination of secured and unsecured borrowings and equity contributions. We intend to use amounts available under the credit facility, future debt and equity financings and internally generated funds to finance our working capital requirements, capital expenditures and future acquisitions.

Over the next five years, we intend to spend approximately $76 million to upgrade our existing systems and the systems subject to pending acquisitions. These capital expenditures are expected to consist of:

- approximately $45 million to upgrade the bandwidth capacity of these systems and to employ additional fiber in the related cable plant,
- approximately $16 million for ongoing maintenance and replacement and
- approximately $15 million for installations and extensions to the related cable plant required as a result of growth in our subscriber base.

Upon the completion of our planned upgrades, virtually all of the cable plant included in these systems will have a bandwidth capacity of 450 MHz or greater and approximately 85% will have a bandwidth capacity of 550 MHz or greater. For additional information, please refer to "Business--Technology" section of this prospectus.

Our financing at the time we completed the acquisition of Cable Michigan consisted of the credit facility, the bridge credit facility, the subordinated bridge facility and a new equity investment of approximately $80.0 million. We used the funds obtained in the initial financing to consummate the merger with Cable Michigan, to refinance existing Cable Michigan indebtedness and existing Avalon Cable of New England LLC indebtedness and to pay fees and expenses. We will not receive any cash proceeds from the issuance of the new notes. The net proceeds of the old note offering and the senior subordinated note offering were used principally to repay approximately:

- $125.0 million of borrowings under the credit facility,
- $105.0 million of borrowings by the issuers under the bridge credit facility and
- $18.0 million of borrowings by the issuers under the subordinated bridge facility, together in each case with accrued interest.

After giving effect to the foregoing, the bridge credit facility was paid in full and terminated and there were no amounts outstanding under the subordinated bridge facility.

As of March 31, 1999, on a pro forma basis, after giving effect to all completed and pending acquisitions and the reorganization, the issuers would have had no outstanding indebtedness other than the old notes and the issuers' subsidiaries would have had $442.7 million of indebtedness outstanding and $24.4 million of trade payables and other liabilities outstanding. Such indebtedness includes $177.4 million under the credit facility and $150.0 million under the old notes, but excludes $18.5 million of availability under the revolving credit facility.

Under the credit facility, the issuers' operating subsidiaries currently have:

- a $30.0 million revolving credit facility with $18.5 million available at March 31, 1999, and
- senior term loan facilities consisting of a $120.9 million term loan facility which matures on October 31, 2005 and a $170.0 million term loan facility which matures on October 31, 2006.

No additional borrowings may be made under the senior term loan facilities. Borrowings under the revolving credit facility are available for working capital purposes, capital expenditures and pending and future acquisitions. The revolving credit facility terminates, and all amounts outstanding thereunder are payable, on October 31, 2005. In addition, the credit facility provides for up to $75.0 million in an uncommitted acquisition facility. Borrowings under the credit facility are guaranteed by each of the issuers, Avalon Cable and Avalon Cable of New England Holdings, Inc. The credit facility is secured by substantially all of the assets of the issuers' operating subsidiaries in which a security interest may be granted. For additional information concerning the credit facility, including the timing of scheduled payments, see "Description of Certain Debt--The Credit Facility."

The senior subordinated notes were issued in an aggregate principal amount of $150.0 million and will mature on December 1, 2008. The senior subordinated notes are general unsecured obligations of the issuers' operating subsidiaries and are subordinated in right of payment to all of their current and future senior indebtedness, including indebtedness under the credit facility. Interest on the senior subordinated notes accrues at the rate of 9 3/8% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, to holders of record on the immediately preceding May 15 and November 15. For additional information concerning the senior subordinated notes, see "Description of Certain Debt--The Senior Subordinated Notes."

The issuers are holding companies with no significant assets other than their investment in their operating subsidiaries. The primary source of funds to the issuers will be dividends and other advances and transfers

from their operating subsidiaries. The ability of the issuers' operating subsidiaries to make dividends and other advances and transfers of funds, including funds required to pay interest on the new notes when due, is subject to certain restrictions under the credit facility, the indenture governing the senior subordinated notes and other agreements to which they become a party. A payment default under the indenture governing the senior subordinated notes would constitute an event of default under the credit facility, and could result in the acceleration of the indebtedness thereunder.

The credit facility, the indenture governing the old notes and the new notes, and the senior subordinated note indenture contain financial and other covenants that restrict, among other things, the ability of the issuers and their operating subsidiaries and certain of their affiliates:

- to incur additional indebtedness,
- incur liens,
- pay dividends or make certain other restricted payments,
- consummate certain asset sales,
- enter into certain transactions with affiliates,
- merge or consolidate with any other person or
- sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

Such limitations, together with our highly leveraged nature, could limit the corporate and operating activities of the issuers in the future, including the implementation of our growth strategy. See "Risk Factors--Our substantial indebtedness could make us unable to service our indebtedness and meet our other requirements and could adversely affect our financial health."

We believe that cash generated from operations and borrowings expected to be available under the credit facility will be sufficient to meet our debt service, capital expenditure and working capital requirements for the foreseeable future. We will require additional financing if our plans materially change in an adverse manner or prove to be materially inaccurate, or if we engage in any significant acquisitions. We cannot assure you that this financing, if permitted under the terms of the indenture governing the old notes and the new notes or other then applicable agreements, will be available on terms acceptable to us or at all. For additional information, please refer to the "Risk Factors" section of this prospectus.

Year 2000 Information and Readiness Discussion

We have and will acquire certain financial, administrative and operational systems. We are in the process of reviewing our existing systems and intend to review each system that we acquire, as well as the systems employed by third party service providers (including for billing services) in order to analyze the extent, if any, to which we face a "Year 2000" problem (a problem that is expected to arise with respect to computer programs that use only two digits to identify a year in the date field and which were designed and developed without considering the impact of the upcoming change in the century).

In particular, we are in the process of completing a review and survey of all information technology and non-information technology equipment and software in order to discover items that may not be Year 2000 compliant. We are contacting each material third party vendor of products and services used by our company in writing in order to determine the Year 2000 status of the products and services provided by such vendors. To date, our third party vendors have indicated that all material products and services are Year 2000 compliant. We anticipate that we will complete our survey of equipment and software prior to July 1, 1999 and that we will complete all required remediation and testing prior to December 31, 1999.

Our most reasonably likely worst case Year 2000 scenario involves the complete failure of our third party billing and customer support system. Such a scenario is, however, highly unlikely given that our billing and

customer support systems are relatively new and that our vendors provide readily available Year 2000 upgrades and/or system replacement packages. In the unlikely event that our third party billing, customer support and addressable control systems failed, we could rely on our extensive microfiche back-up records. We intend to update our microfiche records on a regular basis prior to December 1999.

To date, we have incurred approximately $0.1 million in expenses relating to our Year 2000 compliance review. We anticipate that we will incur less than $0.1 million of additional Year 2000 compliance expenses prior to January 2000.

Although we have not yet made a final determination, we believe that any "Year 2000" problem, if it arises in the future, should not be material to our liquidity, financial position or results of operations; however, there can be no assurance as to the extent of any such liabilities.

Impact of Inflation

With the exception of programming costs, we do not believe that inflation has had or will likely have a significant impact on our results of operations or capital expenditure programs. Our programming cost increases in the past have tended to exceed inflation and we expect them to do so in the future. Historically, we have been successful in passing these increases on to our customers, and we expect to be able to do so in the future. However, we cannot assure you that we will be successful in our efforts to do so.

Proceedings

In connection with the acquisition of Mercom, former shareholders of Mercom constituting approximately 16.5% of all outstanding Mercom common shares gave notice of their election to exercise appraisal rights as provided by Delaware law. We cannot predict at this time the effect of these elections on us since we do not know whether or the extent to which these former shareholders will continue to pursue appraisal rights and seek an appraisal proceeding 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, we cannot assure you that a Delaware court would not find that the fair value of their shares for such purpose is in excess of the $12.00 per Mercom share that we paid in the acquisition or that the ultimate outcome would not have a material adverse effect on us. We have already provided for the consideration due under the terms of our merger with Mercom with respect to these shares.

General

Members of our management and investors formed our company in 1997 to acquire, operate and develop cable television systems in mid-sized suburban and exurban markets characterized by attractive growth prospects and fewer multi-channel television competitors. We seek to acquire cable television systems in markets with high projected household growth rates and with relatively low basic penetration, where we believe we can increase the number of basic subscribers and revenues per subscriber on a cost effective basis. We believe that less direct competition in our targeted markets will result in greater stability in operating cable television systems as well as relatively lower acquisition costs as compared to larger, more competitive markets. Our strategy is to assemble two or more regional clusters, each consisting of 200,000 to 300,000 basic subscribers so as to develop a critical mass of operations capable of achieving economies of scale while maintaining geographic diversity for our company as a whole. As of March 31, 1999, on a pro forma basis including all of the completed and pending acquisitions:

- our systems would have passed approximately 400,100 homes,
- our systems would have served approximately 242,900 basic subscribers, with approximately 217,100 located in Michigan and approximately 25,800 located in western New England and upstate New York,
- we would have been one of the leading cable system operators in the State of Michigan, and
- we would have been one of the 30 largest multiple system cable operators in the United States.

On November 6, 1998, we completed our acquisition of Cable Michigan which represents a substantial part of our business. Cable Michigan serves basic subscribers clustered in four main areas in Michigan: Grand Rapids, Traverse City, Lapeer and Monroe. We acquired Cable Michigan because of its strong growth prospects. From 1993 to 1997, Cable Michigan's basic subscribers grew at a compounded annual rate of 4.6% as compared to the national average of 2.9% According to Market Statistics, 1997, a publication containing county-wide demographic information published by Bill Communications, the number of households in Cable Michigan's territory is projected to grow at a rate equal to approximately 175% of the national average and approximately 200% of the Michigan average over the next five years. In addition, we believe there exists a substantial opportunity to increase Cable Michigan's basic and premium penetration rates through aggressive marketing and improved customer service. As of March 31, 1999, Cable Michigan's systems had a basic penetration rate of 60%, compared to the national average of 69% (according to Paul Kagan Inc.), and a premium penetration rate of 26%, compared to the national average of 72% (according to Paul Kagan Inc.). The total consideration that we paid in connection with the Cable Michigan acquisition, excluding the amounts to be paid in the Mercom transaction and related fees and expenses, was approximately $425.9 million, net of option exercise proceeds. At this time, Cable Michigan owned approximately 62% of the outstanding shares of Mercom, Inc.

On March 26, 1999, we completed the acquisition of the remaining 38% from the public shareholders of Mercom. The total consideration for that acquisition, including related fees and expenses, was approximately $21.9 million. Prior to the completion of our acquisition of Cable Michigan, Cable Michigan, with our assistance, entered into agreements to acquire two additional cable systems, Nova Cablevision and Cross Country, Cable TV which served, on a combined basis, approximately 8,300 basic subscribers in Michigan as of March 31, 1999. We completed the acquisition of Nova Cablevision in March 1999 and the acquisition of Cross Country Cable TV in January 1999. In addition, we consummated the acquisitions of the assets of Novagate Communications, an Internet service provider, and the cable system assets of R/COM, L.C., in March 1999 which served approximately 5,000 Internet and 800 basic subscribers, respectively, as of March 1999. We have also entered into agreements to acquire the assets of Traverse Internet, an Internet service provider which had approximately 4,500 Internet subscribers as of March 1999 and certain cable system assets of Galaxy American Communications which had approximately 550 basic subscribers as of March 1999. The combined purchase price for these pending acquisitions is approximately $2.9 million.

We also provide cable television services to approximately 25,800 basic subscribers in western New England as of March 31, 1999 after giving effect to all completed and pending acquisitions. These operations commenced with our acquisitions of cable system assets from AMRAC Clear View in May 1998 for approximately $8.1 million and from Pegasus Cable Television in July 1998 for approximately $30.5 million. We believe that the consolidation of these operations has allowed and will continue to allow us both to retain and attract higher quality management and to realize lower overall operating costs for these systems. Building on this base of operations, we intend to seek other opportunistic acquisitions in western New England and upstate New York, where cable system ownership is highly fragmented.

Since we established our New England Cluster, we have entered into agreements to acquire cable system assets and related liabilities of Taconic Technology which had approximately 5,000 subscribers as of December 31, 1998 and Hometown TV, which had approximately 400 subscribers as of March 31, 1999. The combined purchase price for these pending transactions is approximately $9.0 million.

On a pro forma combined basis, the issuers would have had revenues of $26.0 million for the quarter ended March 31, 1999 and $104.9 million for the year ended December 31, 1998.

Business Strategy

Our objective is to increase operating cash flow and maximize the value of our cable television systems by utilizing our expertise in acquiring and managing cable systems. We seek to be the leading supplier of multi-channel television services in our chosen markets by delivering high-quality products and service at competitive prices. To achieve these goals, we are pursuing the following business strategies:

Target Mid-Sized Markets. We believe that the mid-sized suburban and exurban markets that we target have many of the beneficial attributes of larger urban and suburban markets, such as moderate to high household growth, economic stability, attractive subscriber demographics and the potential for additional clustering. We believe that in these markets the lower population densities and higher costs per subscriber of installing cable plant tend to result in less direct competition from other multi-channel television services than in larger markets. We believe that this reduced competition has benefits in both operating and acquiring cable television systems. First, in operating cable television systems, we expect to experience greater stability as a result of lower customer turnover, as there are fewer multi-channel television and other entertainment alternatives for subscribers in those markets. Second, we expect to face less competition in acquiring cable television systems than in larger markets, which has and is expected to continue to result in lower purchase price multiples.

Build Regional Clusters; Achieve Operating Efficiencies. We believe that by building regional clusters of 200,000 to 300,000 basic subscribers we will be able to realize economies of scale while maintaining geographical diversity for our company as a whole. We have achieved this critical mass in Michigan through our acquisition of Cable Michigan. The economies of scale include spreading fixed and semi-fixed costs over a greater number of subscribers, including costs relating to general management, marketing, technical support and administration. We believe that we may also be able to reduce technical operating costs and capital expenditures associated with implementation of new channels and services by consolidating headends and utilizing digital compression technology. Furthermore, by aggregating small systems in the same region, we believe that we will be able to attract higher quality management than these systems could attract on a stand alone basis.

Grow Through Strategic and Opportunistic Acquisitions. In pursuing its clustering strategy, we will continue to seek strategic acquisitions at attractive prices. In the Michigan cluster, given the critical mass achieved from the acquisition of Cable Michigan, we will continue to pursue fill-in acquisitions, such as the Nova Cablevision, Cross Country Cable TV and R/COM acquisitions and the pending cable system acquisitions entered into by Cable Michigan, and exchanges of systems with other cable operators to create a

more contiguous footprint. In the New England cluster, where we continue to build a cluster with critical mass, we will pursue both larger strategic acquisitions of 50,000 basic subscribers or more as well as fill-in acquisitions. In addition, we may pursue opportunistic acquisitions outside of our existing operating regions where these acquisitions could either be the basis for creating a new cluster or be exchanged for systems that would fit with our existing clusters.

Upgrade Systems and Prudently Deploy Capital. We seek to provide reliable, high quality cable television services. As such, our primary objective for capital expenditures is to maintain, expand and upgrade our cable plant to improve our cable television services by increasing channels, enhancing signal quality and improving technical reliability. We believe these improvements will enhance our position as the leading provider of multi-channel television services in our markets by creating additional revenue opportunities, enhancing operating efficiencies, increasing customer satisfaction and improving relations with local franchising authorities. Over the next five years, we intend to spend approximately $46 million to upgrade significantly the cable systems that we currently own or plan to acquire in the pending acquisitions so that virtually all of the associated cable plant will be at least 450 MHz (60+ analog channels) and approximately 85% will be 550 MHz (78+ analog channels) or greater. We believe that the upgrade of our cable systems will allow us to generate additional revenue by providing expanded tiers of basic programming, multiplexed premium services, additional home shopping channels and pay-per-view services. In addition, we, like many other multiple system cable operators, are exploring the viability of new services such as Internet access, high speed data, on-screen navigators, new video-on-demand and other interactive services. While upgraded systems will better facilitate our ability to offer these services, we do not intend to expend significant capital in these areas until we believe that the demand for these services is proven and the delivery of these services is cost-effective.

Focus on Customer. We seek to provide superior customer service to our subscribers. As part of our commitment to customer service, we intend to maintain, expand and upgrade our cable plant to improve and expand our cable television services. In addition, based on subscriber surveys and other marketing studies, we intend to increase and rearrange programming packages and tier offerings to meet the needs of the various communities we serve. By centralizing our customer service operations as well as operating local offices, we believe we will be able to enhance our ability to implement our customer service policies on a more consistent and uniform basis, while maintaining a local presence in the markets we serve. Thus, in the Michigan cluster, we have relocated the centralized customer call center used by Cable Michigan from a site in Pennsylvania to a site within Michigan and are maintaining our seven existing local offices to better serve our customers. In the New England cluster, we centralized the customer service functions of our various operations to our regional office in Connecticut and are maintaining our three existing local offices.

Pursue Aggressive Marketing. Our strategy is to promote and market aggressively and to expand cable television services to increase revenues and revenues per subscriber by adding, upgrading and retaining customers. In order to implement our strategy, we plan to:

- introduce targeted marketing campaigns, including outbound tele-marketing, direct mail, advertising and sponsorship of community based events such as fairs and sports teams,

- use price promotions, such as installation specials, to attract new subscribers,

- use premium channel promotions, such as free weekend premium channels and a second premium channel at no charge for a limited period with a subscription for another premium channel, to encourage existing basic and premium subscribers to upgrade their services,

- use contacts between customer service personnel and customers as opportunities to upgrade service, and

- centralize marketing and programming under a newly-created position of Vice President of Marketing.

System Descriptions

Overview

We operate cable television systems in two regions--the Michigan cluster and the New England cluster. The following chart sets forth certain pro forma information relating to our cable systems as of March 31, 1999, giving effect to all completed and pending acquisitions.

	Michigan Cluster	New England Cluster	Total
Homes passed	363,438	36,711	400,149
Basic subscribers	217,081	25,857	242,938
Basic penetration	59.7%	70.4%	60.7%
Premium units	55,913	6,364	62,277
Premium penetration	25.8%	24.5%	25.6%
Average monthly revenue per basic subscriber	$ 34.56	$ 36.08	$ 34.72

The Michigan Cluster--Acquisition History

We formed our Michigan cluster through our acquisition of Cable Michigan. We continue to add to the Michigan cluster through acquisitions:

Cable Michigan. We commenced our operations in the Michigan cluster when we acquired Cable Michigan on November 6, 1998. The cable systems that we acquired from Cable Michigan are located primarily in and around Grand Rapids, Traverse City, Lapeer and Monroe, Michigan. As of March 31, 1999, these cable systems passed approximately 342,300 homes and served approximately 207,500 basic subscribers, including Mercom. In March 1999, we completed the acquisition of the approximately 38% of Mercom that Cable Michigan did not own when we acquired Cable Michigan.

Nova Cablevision. In March 1999, Cable Michigan completed its acquisition of cable system assets from Nova Cablevision for approximately $7.8 million. As of March 31, 1999, Nova Cablevision's cable system passed approximately 10,000 homes and served approximately 6,400 basic subscribers in 12 towns contiguous to Cable Michigan's existing cable systems.

Cross Country Cable TV. In January 1999, Cable Michigan completed its acquisition of the stock of Cross Country Cable TV for approximately $2.1 million. Cross Country Cable TV currently operates a cable system located in Whitehall and Montague, Michigan. As of March 31, 1999, Cross Country Cable TV's cable system passed approximately 5,000 homes and served approximately 1,850 basic subscribers.

R/COM. In March 1999, we completed our acquisition of certain assets of R/COM for approximately $0.5 million. As of March 31, 1999, R/COM's cable system passed approximately 2,900 homes and served approximately 800 basic subscribers.

Galaxy American Communications. In February 1999, we signed an agreement to acquire certain assets of Galaxy American Communications for approximately $0.8 million. As of March 31, 1999, Galaxy American Communications' cable system passed approximately 3,200 homes and served approximately 550 basic subscribers. We expect that the consummation of the Galaxy American Communications acquisition will occur in May of 1999.

Traverse City ISP. On April 1, 1999, we completed our acquisition of the assets of Traverse Internet which served approximately 4,500 residential customers in the Traverse City area. Traverse Internet currently provides Internet access through a standard dial-up phone modem connection. We plan to upgrade these customers to cable-modem based Internet access, which will provide the same service at significantly higher speeds.

Novagate Communications ISP. In March 1999, we completed our acquisition of the assets of Novagate Communications for approximately $2.9 million. As of March 31, 1999, Novagate Communications served approximately 5,000 residential Internet customers in the Grand Rapids area. Novagate Communications currently provides Internet access through a standard dial-up phone modem connection. We plan to upgrade these customers to cable modem based Interest access, which will provide the same service at much higher speeds.

The Michigan Cluster--Operations

The cable systems located in the Michigan cluster serve communities situated in the western, middle and southern portions of Michigan. The following chart sets forth certain information relating to the cable systems located in the Michigan cluster as of March 31, 1999, on a pro forma basis.

	Western Michigan		Mid Michigan	Southern Michigan
	Grand Rapids	Traverse City	Lapeer	Monroe
Homes passed.....	128,454	137,914	27,285	69,785
Basic subscribers.....	77,929	81,498	16,737	40,917
Basic penetration.....	60.7%	59.1%	61.3%	58.6%
Premium units.....	18,405	16,982	5,107	15,419
Premium penetration.....	23.6%	20.8%	30.5%	37.7%
Average monthly revenue per basic subscriber...	$ 32.89	$ 33.64	$35.76	$34.00

Approximately 80% of the Michigan cluster's subscriber base is located in and around Grand Rapids and Traverse City. Our Grand Rapids cluster, located near Lake Michigan in Kent and Ottawa Counties, is an affluent residential community and popular recreational area. The economy of Grand Rapids is supported by the presence of many large employers, including pharmaceutical companies, automotive parts manufacturing companies and large office furniture manufacturers. According to Market Statistics, 1997, the Grand Rapids area is currently the fastest growing region in Michigan. Traverse City is located at the southern end of Grand Traverse Bay in northwest Michigan, approximately 140 miles north of Grand Rapids. Traverse City is also an affluent residential community and popular recreational area. Recently, Traverse City's tourism industry has fueled strong commercial and residential real estate development.

The markets and towns located within the Michigan cluster are, for the most part, characterized by high homes passed and subscriber growth rates. The compound annual growth in homes passed and basic subscribers in the Michigan cluster was 3.2% and 4.6%, respectively, from 1993 to 1997, as compared to the national averages of 1.0% and 2.9%, respectively, according to Paul Kagan Inc. The majority of this growth resulted from planned extensions of cable plant into areas of new home construction. According to Market Statistics, 1997, over the next five years, the number of households in the Michigan cluster is forecasted to grow at a rate equal to 175% of the national average and 200% of the Michigan average.

Giving effect to our merger with Cable Michigan and our other completed and pending acquisitions, as of March 31, 1999, approximately 42% of the Michigan cluster's plant capacity was 330 MHz (40 analog channels) or less. Over the next five years, we expect to invest approximately $43 million to complete its capital plan for the Michigan cluster. Cable Michigan initiated a plan in 1996 under which approximately $31.6 million had been invested as of March 31, 1999. Our plan continues Cable Michigan's plan and anticipates the deployment of a fiber optic network that will span approximately 75% of the Michigan cluster's customer base. After completion of the plant upgrade projects, approximately 98% of the Michigan cluster's cable systems will have a bandwidth capacity of at least 450 MHz (60+ analog channels) and approximately 90% of the Michigan cluster's cable systems will have a bandwidth capacity of at least 550 MHz (78+ analog channels).

We generally package our basic cable service in the Michigan cluster into three distinct tiers: Limited Basic Service, Expanded Basic Service and the Family Value Package. We currently price Limited Basic Service, which consists primarily of broadcast channels, at an average cost of $11.35 per month; Expanded Basic Service, which includes traditional cable channels, at an additional average cost of $11.33 per month; and Family Value Package, which includes popular sports and cable news channels, at an additional average cost of $7.13 per month. As of March 31, 1999, Cable Michigan's penetration rates for Expanded Basic Service and the Family Value Package were 89.3% and 82.4% of basic subscribers, respectively. In May 1999, Cable Michigan implemented an average annual rate increase for basic cable service of $2.09 per month, an increase of approximately 8.4%. We plan to carefully review and refine our existing programming packages and pricing structure in conjunction with our marketing strategy.

We believe that there are significant opportunities to increase revenue in the Michigan cluster. As of March 31, 1999, the Michigan cluster maintained a 60% basic penetration rate and a 26% premium penetration rate, as compared to national averages of 69% and 72%, respectively, according to Paul Kagan Inc. In order to increase our pay and basic penetration rates, we plan to introduce targeted marketing campaigns such as outbound tele-marketing, direct mail, advertising and sponsorship of community based events. We also believe that we will be able to generate additional revenues from the upgrade of our cable systems by providing expanded tiers of basic programming, multiplexed premium services, additional home shopping channels and pay-per-view services. In addition, we believe that the revenues generated by the cable systems serving the Michigan cluster will increase due to the substantial projected growth of the communities located in the Michigan cluster.

The New England Cluster--Acquisition History

The New England cluster has been formed through our acquisitions of AMRAC Clear View and Pegasus Cable Television. We plan to add to the New England cluster through the acquisitions of Taconic Technology and Hometown TV.

AMRAC Clear View and Pegasus Cable Television. On May 30, 1998, we acquired the assets of AMRAC Clear View for approximately $8.1 million. The AMRAC Clear View cable systems serve the towns of Hadley and Belchertown in the vicinity of Amherst, Massachusetts. On July 21, 1998, we acquired the assets of Pegasus Cable Television for approximately $30.5 million. The Pegasus Cable Television cable systems serve seven towns located in Massachusetts and seven towns in the County of Litchfield, Connecticut. As of March 31, 1999, these cable systems, which currently constitute the New England cluster, passed approximately 28,800 homes and served approximately 20,500 basic subscribers.

Taconic Technology. On September 10, 1998, we entered into an agreement to purchase the cable related assets of Taconic Technology for approximately $8.5 million. As of March 31, 1999, Taconic Technology's cable system passed approximately 7,200 homes and served approximately 5,000 basic subscribers. Taconic Technology's subscribers are located in eight towns in upstate New York, all of which are situated in close proximity to our current cable systems in the New England Cluster. We expect that the consummation of the Taconic Technology acquisition will occur in the second quarter of 1999.

Hometown TV. In December 1998, we signed an agreement to acquire certain assets of Hometown TV for approximately $0.5 million. As of March 31, 1999, Hometown TV's cable systems passed approximately 700 homes and served approximately 400 basic subscribers. We expect that the consummation of the Hometown TV acquisition will occur in the third quarter of 1999.

The New England Cluster--Operations

The cable systems located in the New England cluster are situated in central Massachusetts and western New England. The following chart sets forth certain pro forma information relating to the cable systems located in the New England cluster as of March 31, 1999, representing the cable systems acquired or to be acquired by

us in the AMRAC Clear View, Pegasus Cable Television, Taconic Technology and Hometown TV acquisitions.

	Central Massachusetts	Western New England Charlton/ Belchertown/ Hadley	Winsted, CT/ Berkshire, MA/ Chatham, NY
Homes passed	13,440		23,272
Basic subscribers	10,940		14,916
Basic penetration	88.4%		64.1%
Premium units	2,946		3,394
Premium penetration	26.9%		22.8%
Average monthly revenue per basic subscriber	$36.08		$36.08

The residential communities located within the New England cluster are characterized by a growing middle class population base, close proximity to urban centers, and limited off-air reception of local broadcast channels. The majority of the New England cluster's central Massachusetts systems are located within a 30 to 60 minute driving radius of Springfield and Worcester, the second and third largest cities in Massachusetts. More than 10 colleges and universities are located within the immediate vicinity of the Charlton/Belchertown/Hadley area, including the University of Massachusetts, Amherst College and Smith College. The western New England systems are comprised of systems located in Connecticut, Massachusetts and New York. The Winsted system, which is located in the affluent area of Litchfield County, serves seven communities located approximately 30 miles west of Hartford, Connecticut. The Chatham system, which is located in eastern New York, and the Berkshire system, which is located in western Massachusetts, are located approximately 15 miles from each other and approximately 30 miles southeast of Albany, New York.

Giving effect to the Taconic Technology and Hometown TV acquisitions, as of March 31, 1999, approximately 16% of our cable plant in the New England cluster is 330 MHz (40 analog channels) or less. Over the next three years, we expect to invest approximately $3 million to complete our capital plan for the New England cluster. Pursuant to our capital plan, we intend to deploy a fiber optic network in Charlton, Massachusetts, rebuild approximately 90 miles of cable plant in Winsted, the most densely populated area in the New England cluster, and upgrade the Belchertown cable plant. After the completion of our planned upgrades, all of the New England cluster's cable systems will have a bandwidth capacity of at least 450 MHz (60+ analog channels). In addition, as part of our consolidation effort, we plan to eliminate three of the New England cluster's seven headends within two years after the closing of the Taconic Technology acquisition.

In the majority of the systems in the New England cluster, we offer a single level of basic service containing all off-air broadcast channels and certain satellite delivered programming at an average price of $32.55 per month. In the remaining systems, we offer tiers of basic cable television programming at an average price of $10.70 per month for off-air broadcast channels and $18.25 per month for satellite delivered programming. A limited number of systems offer an additional package of 10 channels which include news, sports and other specialized programming not otherwise included in the basic tiers. We plan to reconfigure these programming packages to accommodate customer preferences and to add additional tiered programming and premium channels as we complete our capital plan for the New England cluster.

We believe that significant opportunities exist in the New England cluster to increase revenue per subscriber and eliminate certain costs. We believe that the cable systems located in the New England cluster did not aggressively market their services prior to our acquisition of them. Through the aggregation of the acquisitions that comprise the New England cluster, we will be able to consolidate operations, including office space, personnel and headends. We plan to institute new channel launches, rate increases and marketing programs, in conjunction with increased system capacity in the majority of the New England systems by the end of 1999.

Programming

We have various contracts to obtain basic, satellite and premium programming for our cable systems from program suppliers, including, in limited circumstances, some broadcast stations, with compensation 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 and/or offer marketing support. In addition, we are a member of the National Cable Television Cooperative, a programming purchasing consortium consisting of small to mid-sized multiple system cable operations and individual cable systems serving, in the aggregate, approximately 8.5 million cable basic subscribers as of March 31, 1999. Programming consortiums such as the National Cable Television Cooperative help create efficiencies in securing and administering programming contracts for small and mid-sized cable operators. We do not have long-term programming contracts for the supply of a substantial amount of our programming. In cases where we do have these contracts, they are generally for a fixed period of time ranging from one to five years and are subject to negotiated renewal. While our management believes that our relations with our programming suppliers are generally good, the loss of contracts with certain of our programming suppliers would have a material adverse effect on our results of operations.

Our company, like most other cable television systems, offer our customers various levels, or tiers, of cable service consisting of a combination of local television stations including network affiliated, independent and public television stations; a limited number of television signals from "superstations" originating from distant cities:

- public, government and educational access channels; and

- various satellite-delivered, non-broadcast channels.

Our cable systems generally offer a basic tier of cable service consisting of broadcast channels and certain satellite delivered programming. For an extra monthly charge, our cable systems also offer one or more additional tiers of cable services and per-channel premium satellite-delivered channels generally providing feature films, live sports events, concerts and other special entertainment features. The programming offered by our cable systems varies depending upon each system's channel capacity, viewer interests and, in some cases, franchise requirements.

We expect programming costs to increase in the ordinary course of our business as a result of increases in the number of basic subscribers, increased costs to purchase cable programming, expansion of the number of channels provided to customers and contractual rate increases from programming suppliers. We anticipate that programming costs may increase at rates beyond historic levels, particularly for sports programming. For additional information, please refer to the "Regulation--Copyright" section of this prospectus.

Marketing, Customer Service and Community Relations

Our strategy is to promote and market aggressively and to expand cable television services to increase revenues and revenues per subscriber by adding, upgrading and retaining customers. In order to implement our strategy, we plan to:

- introduce targeted marketing campaigns, including outbound tele-marketing, direct mail, advertising and sponsorship of community based events such as fairs and sports teams,

- use price promotions, such as installation specials, to attract new subscribers,

- use premium channel promotions, such as free weekend premium channels and a second premium channel at no charge for a limited period with a subscription for another premium channel, to encourage existing basic and premium subscribers to upgrade their services and

- use our customer service personnel's contacts with customers to upgrade services.

We believe that providing superior customer service is a key element to our long-term success since the quality of customer service affects our ability to retain customers. Accordingly, we have invested approximately $830,000 to relocate the centralized customer call center used by Cable Michigan from a site in Pennsylvania to a site within Michigan and to centralize the customer service functions of our various operations in the New England cluster to our regional office in Connecticut. We have staffed our Michigan customer service center with well-trained customer service representatives and it offers 24-hour, 7-day per week coverage to all of our customers in the Michigan cluster on a toll-free basis. We designed our customer service center to handle a high volume of incoming calls and to have an average call answer time below the 30 second FCC requirement. We have installed a software package that will allow our customer service center to track call statistics ranging from average answer time to the number of calls by type, as well as individual and group performance statistics. This software has allowed us to respond to customer service inquiries on a more efficient basis.

In the communities we serve, we believe that many customers prefer to personally visit the local office to pay their bills or ask questions about their service. As a result, we intend to maintain accessible local offices in many of our service areas. We believe that local offices and local staffing will increase the effectiveness of our customer relation efforts, community relations endeavors and marketing campaigns. Additionally, we believe familiarity with the communities we serve will allow us to customize our menu of services and respective pricing to provide our customers with products that are both diverse and affordable. Thus, we have seven local offices in the Michigan cluster and the three local offices in the New England cluster.

Recognizing that strong governmental, franchise and public relations are crucial to our overall success, we intend to undertake an aggressive initiative to maintain and improve our working relationships with the governmental entities within our franchise areas. We anticipate that our regional management personnel will be required to meet regularly with local officials for the purposes of keeping them advised of our activities within the communities, receiving information and feedback on our standing with officials and customers alike and ensuring that we maximize our growth potential in areas where new housing development is occurring or where significant technical plan improvements are underway. We also intend that our regional management personnel, together with our corporate management personnel, will be responsible for all franchise renewal negotiations as well as the maintenance of our visibility through involvement in various community and civic organizations and charities.

Technology

As part of our commitment to customer service, we seek to provide reliable, high quality cable television services. As such, our primary objective with respect to capital expenditures is to maintain, expand and upgrade our cable plant to improve and expand our cable television services. Through the implementation of our capital plan, we expect to expand channel capacity, enhance signal quality, improve technical reliability and provide a platform to develop high-speed Internet access. We believe that these technical improvements and upgrades create additional revenue opportunities, enhance operating efficiencies, improve franchising relations and increase customer satisfaction. Before committing capital to upgrade a system, our management team carefully assesses:

- subscribers' demand for more channels,
- upgrade requirements in connection with franchise renewals,
- the availability of competing technologies,
- the likely subscriber demand for other cable and broadband telecommunications services,
- the cost effectiveness of any of these upgrades and
- the extent to which system improvements will increase the attractiveness of the property to a future buyer.

The tables below summarize our existing technical profile and our technical profile including work in progress projects, in each case on a pro forma basis, including all completed and pending acquisitions except the Galaxy American Communications acquisition, as of March 31, 1999. We expect to complete our technical profile work in progress projects by year end 1999.

	330 MHz or Less (Approximately 40 Analog Channels)	400 to 450 MHz (Approximately 60+ Analog Channels)	550 MHz or Greater (Approximately 78+ Analog Channels)
Existing Technical Profile			
Michigan cluster:			
Number of systems.....	57	25	17
Miles of plant.....	3,408	2,796	1,992
% miles of plant.....	41.6%	34.1%	24.3%
New England cluster:			
Number of systems.....	1	7	0
Miles of plant.....	197	1,012	0
% miles of plant.....	16.3%	83.7%	0.0%
Total:			
Number of systems.....	58	32	17
Miles of plant.....	3,605	3,808	1,992
% miles of plant.....	38.3%	40.5%	21.2%
Technical Profile Including Work-in-Progress Projects			
Michigan cluster:			
Number of systems.....	56	24	19
Miles of plant.....	3,140	2,405	2,766
% miles of plant.....	37.8%	28.9%	33.3%
New England cluster:			
Number of systems.....	1	7	0
Miles of plant.....	201	1,030	0
% miles of plant.....	16.3%	83.7%	0.0%
Total:			
Number of systems.....	57	31	19
Miles of plant.....	3,341	3,435	2,766
% miles of plant.....	35.0%	36.0%	29.0%

Over the next five years, we plan to spend approximately $76 million to upgrade our existing systems and the systems we currently own, subject to pending transactions. These capital expenditures, including the work in progress reflected above, are expected to consist of:

- approximately $45 million to upgrade the bandwidth capacity of these systems and to employ additional fiber in the related cable plant,
- approximately $16 million for ongoing maintenance and replacement, and
- approximately $15 million for installations and extensions to the related cable plant required as a result of growth in our subscriber base.

Upon the completion of our planned upgrades, virtually all of the cable plant included in these systems will have a bandwidth capacity of 450 MHz or greater and approximately 85% will have a bandwidth capacity of 550 MHz or greater.

We expect that our planned use of fiber optic technology as an alternative to coaxial cable will play a major role in allowing us to consolidate headend facilities and to reduce amplifier cascades, thereby improving picture quality, system reliability and headend and maintenance expenditures. Fiber optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without the extensive signal

amplification typically required for coaxial cable. We anticipate that the installation of fiber optic cable will allow us, within the next five years, to consolidate from 80 headends in the Michigan cluster, excluding the number of headends, to be acquired in the Galaxy American Communications acquisition, as of March 31, 1999, on a pro forma basis, to approximately 75 headends, excluding the number of headends to be acquired in the Galaxy American Communications acquisition, and from eight headends in the New England cluster as of March 31, 1999, on a pro forma basis, to approximately six headends.

We have been closely monitoring development in the area of digital compression, a technology that enables cable operators to increase the channel capacity of cable television systems by permitting a significantly increased number of video signals to fit in a cable television system's existing bandwidth. We believe that the utilization of digital compression technology in the future could enable us to increase channel capacity in certain systems in a cost efficient manner. Such utilization of digital compression would generally be implemented as part of system upgrades, where some portion of the additional analog channels would be allocated to additional tiers of cable services. The use of digital compression also could expand the number and types of services offered and enhance the development of current and future revenue sources.

For the cable industry, providing high-speed cable modems to residential and business customers has recently become a viable source of additional revenue. Cable modems provide Internet access at higher speeds and lower costs than the technologies offered by other communication providers. For example, a 10 megabit cable modem provides Internet access at download speeds 350 times faster than typical 28.8 kilobit dial-up phone modem connections. Cable Michigan introduced cable-modem based Internet access in the Traverse City area in 1998. Based on its success to date, we purchased assets of Novagate and agreed to purchase Traverse Internet, a local ISP in the same market. We believe that acquiring expertise from an incumbent ISP will allow us to offer services in a more effective and timely manner. Based on our experience with these acquisitions, we may seek to acquire additional ISPs.

Franchises

Cable television systems are constructed and operated under fixed-term non-exclusive franchises or other types of operating authorities, (which we collectively refer to as "franchises") that are granted by either local governmental or centralized state authorities. These franchises typically contain many conditions, such as:

- time limitations on commencement and completion of construction;
- conditions of service, including the number of channels, the provision of free service to schools and certain other public institutions;
- the maintenance of insurance and indemnity bonds; and
- the payment of fees to communities.

Certain provisions of these local franchises are subject to limits imposed by federal law.

On a pro forma basis, as of March 31, 1999, we held 470 franchises in the aggregate, consisting of approximately 449 in the Michigan cluster and approximately 21 in the New England cluster. As of the same date, none of these franchises would have accounted for more than 5% of our total revenues on a pro forma basis. Many of these franchises require the payment of fees to the issuing authorities of 3% to 5% of "gross revenues" (as defined by each franchise agreement) from the related cable system. The Cable Communications Policy Act of 1984 prohibits franchising authorities from imposing annual franchise fees in excess of 5% of gross annual revenues and also permits the cable television system operator to seek renegotiation and modification of franchise requirements if warranted by changed circumstances that render performance commercially impracticable.

As indicated by the following chart, which was calculated on a pro forma basis as of March 31, 1999 after giving effect to all completed and pending acquisitions, our franchises expire at various points in time through the year 2019.

Year of Franchise Expiration	Number of Franchises	Percentage of Total Franchises	Number of Basic Subscribers	Percentage of Total Basic Subscribers
1999-2001	60	13%	21,864	9%
2002 and after	410	87%	221,074	91%
Total	470	100%	242,938	100%

The Cable Television Consumer Protection and Competition Act of 1992 and the Cable Communications Policy Act of 1984 provide, among other things, for an orderly franchise renewal process which limits a franchising authority's ability to deny a franchise renewal if the incumbent operator follows prescribed renewal procedures. In addition, these cable acts established comprehensive renewal procedures which require, when properly elected by an operator, that an incumbent franchisee's renewal application be assessed on its own merits and not as part of a comparative process with competing applications. For additional information, please refer to the "Regulation" section of this prospectus.

Competition

As a cable television systems operator, we face competition from:

- alternative methods of receiving and distributing single and/or multiple channels of video programming, including direct-to-the-home satellite programming and off-air television broadcast programming;

- other sources of news, information and entertainment such as newspapers, movie theaters, live sporting events, interactive online computer services and home video products, including videotape cassette recorders; and

- local exchange telephone companies and other well-financed businesses from outside of the cable industry (such as the public and municipally owned utilities that own certain of the poles on which cable is attached), which are increasingly entering the business of providing cable television services.

The extent to which we are competitive depends, in part, upon our ability to provide, at a reasonable price to consumers, a greater variety of programming and other services than are available off-air or through other alternative delivery sources and upon superior technical performance and customer service. Many of our present and potential competitors have substantially greater resources than we do.

Congress has adopted legislation and the FCC has implemented regulations which provide a more favorable operating environment for new and existing technologies that provide, or have the potential to provide, substantial competition to cable systems. For instance, the Cable Television Consumer Protection and Competition Act of 1992 contains provisions, which the FCC has implemented with regulations, that enhance the ability of cable competitors to purchase and make available to home satellite dish owners certain satellite delivered cable programming at competitive costs. In addition, the FCC adopted regulations that preempt certain local restrictions on satellite and over-the-air antenna reception of video programming services, including zoning, land-use or building regulations, or any private covenants, homeowners' association rule, lease, or similar restriction on property within the exclusive use or control of the antenna user.

As a result of the legislation and regulations, we presently face competition from, among others, satellite services whereby signals are transmitted by satellite to receiving facilities located on customer premises.

Programming is currently available to the owners of satellite dishes through conventional, medium and high-powered satellites. Satellite systems generally provide movies, broadcast stations and other program services similar to those provided by cable television systems, although some satellite services offer a greater number of channels and programming packages than are available through cable television systems. Satellite service known as direct broadcast satellite service can be received anywhere in the continental United States through installation of a small rooftop or side-mounted antenna. This technology has the capability of providing more than 100 channels of programming over a single high-powered satellite with significantly higher capacity if multiple satellites are placed in the same orbital position. Direct broadcast satellite is currently being heavily marketed on a nationwide basis by three direct broadcast satellite providers, and a fourth company is also proposing to provide direct broadcast satellite services over multiple satellites. Announced acquisitions may consolidate all direct broadcast satellite spectrum and assets into the two dominant direct broadcast satellite providers. Direct broadcast satellite providers provide significant competition to us and other cable service providers. Legislation pending before Congress may substantially remove the legal obstacles to direct broadcast satellite delivery of local and distant broadcast signals.

The digital satellite service offered by direct broadcast satellite systems has certain advantages over cable systems with respect to programming and digital quality. By upgrading our systems and using digital compression technology, we expect to be able to offer expanded programming choices and services, more channels and better picture quality, allowing us to compete more effectively with direct broadcast satellite systems. Furthermore, direct broadcast satellite does suffer certain significant operating disadvantages compared to cable television, including the subscriber's present difficulty in viewing different programming on more than one television set, line-of-sight reception requirements, up-front costs associated with the dish antenna and the lack of local programming. Direct broadcast satellite providers currently face technical and legal obstacles to providing broadcast signals, although certain direct broadcast satellite providers currently provide local and distant broadcast signals in certain major markets. The FCC has recently adopted regulations that may reduce the impact of the existing legal obstacles direct broadcast satellite providers face with respect to these services.

Cable television systems generally operate under franchises granted on a non-exclusive basis, so that more than one cable television system may be built in the same area (known as an "overbuild"), with potential loss of revenue to the operator of the original system. It is possible that a franchising authority might grant a second franchise to another company containing terms and conditions more favorable than those afforded to us. The Cable Television Consumer Protection and Competition Act of 1992 prohibits franchising authorities from unreasonably denying requests for additional franchises and does not prevent franchising authorities from operating cable systems. Well-financed businesses from outside the cable industry may compete with us for franchises or provide competing services. Potential competitors include the public and municipally owned utilities that own certain of the poles on which cable is attached. Certain municipal power companies have been considering building new video networks to compete with us within the areas where they deliver power. Overbuilds historically have been relatively rare, as constructing and developing a cable television system is capital-intensive, and it is difficult for the new operator to gain a marketing advantage over the incumbent operator. Nonetheless, on a pro forma basis as of March 31, 1999, less than 5% of homes passed by our Michigan cluster have been overbuilt and none of the homes passed by our New England cluster have been overbuilt. We believe that our systems are less likely to be overbuilt than those of many other operators because our targeted markets have lower population densities.

We also compete with local exchange telephone companies. The Telecommunications Act of 1996 makes it easier for local exchange carriers and others to provide a wide variety of video services and to provide multichannel video programming services to subscribers. Various local exchange carriers currently are providing multi-channel video programming within and outside their telephone service areas through a variety of distribution methods. Such distribution methods include both the deployment of broadband wire facilities and the use of wireless terrestrial transmission facilities. In addition, certain local exchange carriers may not be required, under certain circumstances, to obtain local franchises to deliver these video services or to comply with the variety of obligations imposed upon cable systems under these franchises. As a result, cable systems

could be placed at a competitive disadvantage if the delivery of video services by local exchange carriers becomes widespread. Issues of cross-subsidization by local exchange carriers of video and telephony services also pose strategic disadvantages for cable operators seeking to compete with local exchange carriers which provide video services. Ameritech Corporation has obtained cable television franchises in southeastern Michigan and has overbuilt some cable operators thereby creating a competitive environment. To date, Ameritech has not applied for cable franchises in the areas served by us, including after giving effect to the pending Michigan acquisitions. We cannot predict the likelihood of success of video service ventures by local exchange carriers or their impact on us.

We face additional competition from private satellite master antenna television systems. Satellite master antenna television systems offer both improved reception of local television stations and many of the same satellite-delivered programming services offered by franchised cable television systems. Satellite master antenna television operators often enter into exclusive agreements with building owners or homeowners' associations to provide cable programming to condominiums, apartments, office complexes and private residential developments. Cable operators are, therefore, generally required to obtain the approval of the building owners or homeowners' associations to provide cable programming. However, some states have enacted laws to provide franchised cable systems access to such private complexes and the Cable Communications Policy Act of 1984 gives a franchised cable operator the right to use existing compatible easements within its franchise area under certain circumstances. These laws have been challenged in the courts with varying results. The Telecommunications Act of 1996 broadens the definition of satellite master antenna television systems not subject to regulation as a franchised cable television service. A July 1998 FCC decision allowed satellite master antenna televisions to interconnect facilities using common carrier facilities located in public rights of way without obtaining cable television franchises. This decision could spur growth of satellite master antenna television systems. In addition, some companies are developing and/or offering packages of telephony, data and video services to these private residential and commercial developments.

We also compete with wireless terrestrial program distribution services such as multipoint, multichannel distribution service which use low-power microwave frequencies to transmit video programming over-the-air to subscribers. There are multipoint, multichannel distribution service operators who are authorized to provide or are providing broadcast and satellite programming to subscribers in areas in the Michigan cluster and the New England cluster. Additionally, the FCC recently adopted new regulations allocating frequencies in the 28-GHz band for a new multichannel wireless video service similar to multipoint, multichannel distribution service. We are unable to predict whether wireless terrestrial video services will have a material impact on its operations.

Other new technologies, including Internet-based services, may become competitive with services that cable television systems can offer. Pursuant to the Telecommunications Act of 1996, the FCC adopted regulations and policies for the issuance of licenses for digital television to incumbent television broadcast licensees. Digital television is expected to deliver high definition television pictures, multiple digital-quality program streams, as well as CD-quality audio programming and advanced digital services, such as data transfer and subscription video. In July 1998, the FCC commenced a rulemaking to determine the extent to which cable operators will be required to carry these digital signals. The FCC also has authorized television broadcast stations to transmit textual and graphic information useful both to consumers and businesses. The FCC also permits commercial and non-commercial FM stations to use their subcarrier frequencies to provide non-broadcast services including data transmissions. The FCC established an over-the-air Interactive Video and Data Service that will permit two-way interaction with commercial and educational programming along with informational and data services. Local exchange carriers and other common carriers also provide facilities for the transmission and distribution to homes and businesses of interactive computer-based services, including the Internet, as well as data and other non-video services. The FCC has conducted spectrum auctions for licenses to provide personal communication systems. Personal communication systems will enable license holders, including cable operators, to provide voice and data services.

Advances in communications technology as well as changes in the marketplace and the regulatory and legislative environment are constantly occurring. Thus, we cannot predict the effect that ongoing or future

developments might have on the cable television industry or on our operations. As other companies begin to provide cable television services, we will face additional competitors, many of which will have substantially greater resources than we have.

Employees

As of March 31, 1999, we had a total of approximately 346 employees. Approximately 20 of our employees located in Michigan are represented by labor unions or trade councils. We have experienced no work stoppages and believe that our employee relations are good and will continue to be so after the closing of the pending acquisitions.

Properties

A cable television system consists of three principal operating components. The first component is the signal reception processing and originating point called a "headend." The headend receives television, cable programming service, radio and data signals that are transmitted by means of off-air antennas, microwave relay systems and satellite earth systems. Each headend includes a tower, antennae or other receiving equipment at a location favorable for receiving broadcast signals and one or more earth stations that receives signals transmitted by satellite. The headend facility also houses the electronic equipment which amplifies, modifies and modulates the signals, preparing them for passage over the system's network of cables. The second component of the system is the distribution network. The distribution network originates at the headend and extends throughout the system's service area. A cable system's distribution network consists of microwave relays, coaxial or fiber optic cables placed on utility poles or buried underground and associated electronic equipment. See the "Regulation--Pole Attachment" section of this prospectus. The third component of the system is a "drop cable," which extends from the distribution network into each customer's home and connects the distribution system to the customer's television set.

We own and lease parcels of real property for signal reception sites (antenna towers and headends), microwave complexes and business offices, including our principal executive offices. In addition, we own our cable systems' distribution networks, various office fixtures, test equipment and certain service vehicles. We will also acquire additional property in the pending acquisitions. The physical components of our cable systems require maintenance and periodic upgrading to keep pace with technological advances. We believe that our properties, including those to be acquired in the pending acquisitions, both owned and leased, are in good condition and are suitable and adequate for our business operations.

Legal Matters

In connection with the acquisition of Mercom, former shareholders of Mercom constituting approximately 16.5% of all outstanding Mercom common shares gave notice of their election to exercise appraisal rights as provided by Delaware law. We and the companies we plan to acquire are currently party to various legal proceedings. In addition, we expect that in the future we will have various legal proceedings outstanding in the normal course of business. Our management anticipates that these proceedings will not have a material adverse effect on our results of operations or our financial condition.

REGULATION

Overview

We face regulation from federal, state and local governments because we own and operate cable television systems. Most of the federal laws governing our cable systems arise from the Cable Communications Policy Act of 1984, the Cable Television Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996. These statutes amended the federal Communications Act of 1934 and added provisions specific to cable television. Many of the cable television provisions of the Communications Act require the FCC to adopt and enforce regulations. The FCC has done so and regulates many aspects of our cable systems and our business. Local franchise authorities also regulate our cable systems through local cable franchise agreements and ordinances and, in some municipalities, through the local rate regulation process. In some jurisdictions, state agencies also regulate our cable systems. The substantial regulation of our cable systems adds additional costs and risks to our business.

We provide in this section a summary of federal laws and regulations that could materially affect our cable systems and the cable industry. We also describe certain state and local laws.

Rate regulation

Rate regulation under the Cable Television Consumer Protection and Competition Act. The Cable Television Consumer Protection and Competition Act establishes cable rate regulation at two levels. Local franchise authorities can obtain authority to regulate rates for equipment and basic service (the lowest tier of service usually including broadcast signals, public access programming and some cable satellite services). The FCC regulates rates for cable programming services tiers, typically the next levels of cable service after basic service. The Cable Television Consumer Protection and Competition Act directs the FCC to promulgate regulations to govern the rate regulation process at both the federal and local level. The Cable Television Consumer Protection and Competition Act also deregulates rates for any cable system subject to effective competition, meaning that the cable system faces specified thresholds of competition in their franchise areas. Generally, the rate regulation process imposes substantial administrative burdens and costs on regulated systems and reduces cable rate increases. Rate regulation has forced some cable systems to reduce rates and make refunds to subscribers.

Changes under the Telecommunications Act of 1996. The Telecommunications Act of 1996 makes several significant changes to cable rate regulation. The Telecommunications Act of 1996:

- deregulates rates for cable programming services tiers after March 31, 1999;
- deregulates all rates for certain small cable systems;
- allows non-predatory, bulk discount rates for service to commercial residential developments;
- allows aggregation of costs for regulated equipment rates at the franchise, system, regional or company level;
- eliminates individual subscriber rate complaints to the FCC;
- authorizes local franchise authorities to file complaints with the FCC concerning cable programming services tier rates after receiving multiple subscriber complaints within prescribed time frames; and
- permits certain cable operators to include prior year losses occurring before September 1992 in rate calculations.

The changes to cable rate regulation resulting from the Telecommunications Act of 1996 provide cable systems some relief from the administrative burdens and costs of rate regulation.

FCC regulations. Following the Cable Television Consumer Protection and Competition Act, the FCC adopted detailed regulations governing cable service and equipment rates and the rate regulation process. Those

regulations have undergone significant changes since 1993. The FCC will likely continue to modify its rate regulations. Principal components of FCC rate regulation include:

- Benchmark method. Cable systems subject to rate regulation can use the FCC's benchmark method to set rates. In 1994, the FCC's benchmark regulations required operators to implement rate reductions of up to 17% for regulated services. Cable systems can adjust benchmark rates under the FCC's comprehensive and restrictive regulations allowing quarterly or annual increases or decreases for changes in the number of regulated channels, inflation and increases in certain costs.

- Cost-of-service method. Cable operators subject to rate regulation can elect to use the FCC's cost-of-service method to set rates. Cost-of-service permits a cable operator to set rates higher than permitted under the benchmark method, if costs allowable under the FCC regulations support the higher rate. The cost-of-service method generally requires more administrative and professional resources for a cable system. The FCC cost-of-service rules also require exclusion from the rate base up to one-third of acquisition costs attributed to tangible and intangible assets related to providing regulated cable service. The FCC's cost-of-service regulations also presume an industry-wide 11.25% after tax rate of return on an operator's allowable rate base. The FCC has initiated a rulemaking to consider using an operator's actual debt cost and capital structure for cost-of-service calculations.

- Small cable system abbreviated cost-of-service method. In 1995, the FCC adopted for qualified small systems a generally less restrictive and more streamlined method to compute regulated rates.

- Equipment rate regulation. Where franchising authorities have the authority to regulate basic service rates, they may also regulate the rates for additional outlets, installation, and subscriber equipment used to receive the basic cable service tier, such as converter boxes and remote control units. FCC regulations require franchising authorities to regulate these rates on the basis of actual cost plus a reasonable profit, as defined by the FCC.

The FCC currently has several changes to its rate regulations under consideration. We cannot predict the impact of any changes on our cable systems.

Current rate regulation status of our cable systems. In many of the communities where we provide cable service and in many of the systems we plan to acquire, local franchising authorities actively regulate rates for basic and related services. At the FCC, it remains possible that complaints remain pending against cable programming services tier rates charged by some of our cable systems and by some of the cable systems we propose to acquire. In addition, a franchising authority has filed a petition for special relief relating to our limited tier of programming.

The FCC has ordered reductions in certain cable programming services tier rates charged by Cable Michigan. The FCC based those decisions, in part, on the finding that Cable Michigan did not qualify for small cable system rate relief under the FCC's 1995 small system rules. The FCC concluded that Cable Michigan did not qualify as a "small system" because all affiliated companies served more than 400,000 subscribers (due to RCN Corporation's investment in Mexican cable systems). Cable Michigan challenged those decisions on the basis that certain of its systems should qualify as "small cable systems" under the FCC's rules, or, in the alternative, that its rates are justified under the FCC's benchmark method. On July 15, 1998, the FCC permitted Cable Michigan to withdraw its challenge of the FCC's decision. Because Cable Michigan is no longer affiliated with RCN Corporation, we anticipate that certain of our smaller systems will qualify as small cable systems.

"Anti-Buy Through" Provisions

The Cable Television Consumer Protection and Competition Act requires cable systems to permit subscribers to purchase video programming on a per channel or a per program basis without the necessity of subscribing to any tier of service, other than the basic cable service tier. Cable systems without the technological capability to offer programming in this manner benefit from a statutory exemption. The

exemption is available until a cable system obtains the technological capability, but not later than December 2002. The FCC may also issue waivers.

We expect that our systems will comply with this requirement by the December 2002 deadline.

Broadcast Signal Carriage--Must-Carry and Retransmission Consent

Must-carry. The Cable Television Consumer Protection and Competition Act and FCC regulations impose substantial restrictions on carriage of broadcast signals by cable systems. The regulations allow local commercial television broadcast stations to request mandatory carriage on a cable system ("must-carry"), subject to certain exceptions. A cable system must devote up to one-third of its activated channel capacity for the carriage of local commercial television stations. If a cable operator declines to carry a local broadcast station requesting must-carry, the broadcaster may file a complaint with the FCC. If the FCC finds that the broadcast station qualifies for must-carry, the FCC will order the cable system to commence carriage. Local non-commercial television stations and certain low power television stations also have mandatory carriage rights. In March 1997, the U.S. Supreme Court upheld the constitutionality of the Cable Television Consumer Protection and Competition Act's must-carry requirements.

On July 9, 1998, the FCC initiated a rulemaking to consider the requirements, if any, for mandatory carriage of digital television signals. We cannot predict the ultimate outcome of this rule making or the impact of new carriage requirements on our cable systems or our business.

Retransmission consent. Local broadcast stations can also elect carriage by retransmission consent. This means that the cable system cannot carry the broadcast signal unless first obtaining the broadcaster's consent in writing. Some broadcast stations have withheld consent unless the cable operator pays for carriage or provides other consideration. Additionally, cable systems must obtain retransmission consent for all other commercial television stations carried on the cable system, except for certain superstations. Similarly, federal law requires retransmission consent for carriage of commercial radio stations and certain low-power television stations.

Access Channels

Public, Educational and Governmental Access. Federal law permits franchising authorities to obtain channel capacity on our cable systems for public, educational and governmental access programming. When required by a local franchise authority, we must provide access channel capacity at no charge. Local franchise authorities may also require us to purchase public, educational and governmental access equipment and pay other public, educational and governmental access related expenses. We have no direct editorial control over programming cablecast on public, educational and governmental channels, except that we must prohibit obscene programming.

Commercial leased access. Federal law also requires our cable systems to designate a portion of channel capacity for commercial leased access. Commercial leased access programmers can request channel capacity from us and provide programming that may compete with other services we offer. The FCC regulates commercial leased access rates, terms and dispute resolution. Cable operators may prohibit or limit the provision of indecent programming on leased access channels.

Local Franchise Procedures

Federal law. The Communications Act governs several aspects of the local cable franchise process that directly impact our cable systems. Principal franchise-related provisions of federal law include:

- A cable system may not operate without a local franchise.
- Local franchise authorities may grant one or more cable franchises and may not unreasonably deny an application for a competitive franchise.

- A municipality may operate its own cable system without a franchise.

- In granting or renewing franchises, state and local authorities may establish requirements for cable-related facilities and equipment, but not for specific video programming or information services.

- Local franchise authorities can require payments of franchise fees of 5% of gross revenues derived from the operation of the cable system to provide cable services. Our franchises and the franchises to be acquired in the pending acquisitions typically provide for periodic payment of fees to franchising authorities of 3% to 5% of gross revenues. Federal law permits us to pass franchise fees on to subscribers.

- Local franchise authorities can require cable operators to construct and maintain institutional networks as a condition of a franchise grant or renewal.

- A cable operator can petition for modification of franchise requirements by the franchise authority or judicial action if warranted by changed circumstances.

The Telecommunications Act of 1996 imposed additional controls on the local cable franchise process. The Telecommunications Act of 1996 generally prohibits franchising authorities from:

- Imposing requirements in the cable franchising process that require, prohibit or restrict the provision of telecommunications services.

- Imposing franchise fees on revenues derived by the operator from providing telecommunications services over its cable system.

- Restricting a cable operator's use of any type of subscriber equipment or transmission technology.

Cable franchise renewals and transfers. The Communications Act contains renewal procedures and transfer procedures designed to protect cable operators against arbitrary denials of renewal or transfer. Still, the cable franchise renewal and transfer processes remain risky and potentially costly. Franchising authorities may seek to impose new and more onerous requirements, such as significant upgrades in facilities and services or increased franchise fees, as a condition of renewal or consent to transfer.

Cable franchises and cable-based Internet services. We are planning to offer cable-based Internet access and other information services on our systems. The regulatory status of such services remains uncertain. In September 1998, the FCC's Cable Services Bureau issued a discussion paper analyzing the regulatory classification of Internet and other information services. The paper identified three likely classifications:

- as cable services;

- as telecommunications services; or

- as information services that are currently unregulated.

The ultimate classification of cable-based Internet services under federal law could have significant impact on the regulation of these services, the ability of competitors to use the cable plant and the authority to provide these services under existing franchises. Until the FCC or Congress provides further guidance, we cannot gauge the impact, if any, such classifications would have on us or our business.

Inside Wiring Rules

The Cable Television Consumer Protection and Competition Act directed the FCC to prescribe regulations governing the disposition of inside wiring after a customer terminates service. In a series of rulemakings and orders, with the most recent order issued in October 1997, the FCC developed regulations that limit a cable operator's right to control inside wiring after a subscriber terminates service or after a multiple dwelling unit owner terminates the cable operator's rights to access the multiple dwelling unit.

After a subscriber terminates service or a multiple dwelling unit owner terminates access rights, the regulations generally require the cable operator to offer its inside wiring for sale to the subscriber or to the

multiple dwelling unit owner at replacement cost or a negotiated price. If the cable operator does not sell the inside wiring within a specified period after termination of service or access rights, then the cable operator must remove the wiring. If the cable operator neither sells nor removes its wiring, the wiring is deemed abandoned. A competing provider can then use the inside wiring to provide service to the individual subscriber or to the multiple dwelling unit. These regulations increase our risk that a competitor can gain access to inside wiring after termination of service by a subscriber or termination of access rights by a multiple dwelling unit owner.

The FCC has also issued a further notice of proposed rulemaking on other inside wiring issues including possible restrictions on exclusive multiple dwelling unit contracts and the applicability of the inside wiring rules to all video providers, not just cable operators. We cannot predict the ultimate outcome of this rulemaking or its impact on our cable systems.

Ownership Limitations

Horizontal ownership limits. Under the Cable Television Consumer Protection and Competition Act, the FCC adopted rules prescribing national subscriber limits. A federal court found the statutory limitation unconstitutional and the FCC stayed enforcement of its rules. On June 26, 1998, the FCC released an order on reconsideration of its horizontal ownership rules, although it did not lift its stay of those rules. In that order, the FCC denied petitions requesting that it lower its horizontal ownership limits. The FCC has recently sought comments on whether to change the definition of ownership that constitutes a cognizable interest in a cable system. The results of these proceedings could affect all ownership prohibitions.

Affiliated programmer limits. The Cable Television Consumer Protection and Competition Act requires the FCC to adopt limits on the number of channels on which a cable operator can carry programming provided by an affiliated video programmer.

Changes to broadcast cross-ownership restrictions. The Telecommunications Act of 1996 eliminated the statutory prohibition on the common ownership, operation or control of a cable system and a television broadcast station in the same service area and directed the FCC to review its broadcast/cable ownership restrictions. Upon review, the FCC eliminated its regulatory restriction on cross-ownership of cable systems and national broadcasting network stations. The FCC has also released a notice of inquiry seeking comment on all of the broadcast ownership rules not already under review in other proceedings.

Changes to satellite master antenna television and MMDS cross-ownership restrictions. In January 1995, the FCC relaxed its restrictions on ownership of satellite master antenna television systems. The revised rules permit a cable operator to acquire satellite master antenna television systems in the operator's existing franchise area so long as the programming services provided through the satellite master antenna television system are offered according to the terms of the cable operator's local franchise agreement. The Telecommunications Act of 1996 provides that the cable/satellite master antenna television and cable/multipoint, multichannel distribution service cross-ownership rules do not apply in any franchise area where the operator faces effective competition.

Competition with Local Exchange Carriers

The Telecommunications Act of 1996 makes significant changes to the regulation of local exchange carriers that provide cable services. The Telecommunications Act of 1996:

- Eliminates the requirement that local exchange carriers obtain Section 214 approval from the FCC before providing video services in their telephone service areas.

- Removes the statutory telephone company/cable television cross-ownership prohibition, allowing local exchange carriers to offer video services in their telephone service areas.

- Permits local exchange carriers to provide service as franchised cable operators or as "open video system" operators. As an open video system operator, a local exchange carrier may face less

burdensome local regulation but must comply with other conditions including setting aside up to two-thirds of their channel capacity for use by unaffiliated program distributors.

- Prohibits a local exchange carrier from acquiring an existing cable system in its telephone service area except in limited circumstances.

The changes to regulation of local exchange carrier ownership of cable systems increases the risk to our cable systems that local exchange carriers will seek to compete in our franchise areas.

While the Telecommunications Act of 1996 facilitates the entry of local exchange carriers into cable markets, it also opens the local exchange markets to competition. The Telecommunications Act of 1996 removes barriers to entry into the local telephone exchange market by preempting state and local laws that restrict competition and by requiring all local exchange carriers to provide nondiscriminatory access and interconnection to potential competitors, including cable operators, wireless telecommunications providers and long distance companies.

Regulations promulgated by the FCC under the Telecommunications Act of 1996 require local exchange carriers to open their telephone networks to competition by providing competitors interconnection, access to unbundled network elements and retail services at wholesale rates. As a result of these changes, companies can interconnect with incumbent local exchange carriers to provide local exchange services. Numerous parties appealed certain aspects of these regulations. In a recent decision, the United States Supreme Court largely upheld the FCC's interconnection regulations, including those related to certain pricing and access issues. Despite the need to resolve other outstanding issues, the Court's decision suggests promise for competition in local exchange services.

Pole Attachments

The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of utility pole and conduit space. State authorities can assume this role through a FCC certification process. In the absence of state regulation, the FCC regulates pole attachment rates according to a formula that allocates costs between the pole owner and pole users. In some cases, utility companies have increased pole attachment fees for cable systems that have installed fiber optic cables for distribution of telecommunications services and other non-cable services. The FCC concluded that, in the absence of state regulation, it has jurisdiction to determine whether utility companies have justified their demand for additional rental fees. The FCC has also concluded that regulated pole owners cannot impose disparate attachment rates based on the type of service provided.

The Telecommunications Act of 1996 and the FCC's implementing regulations make significant changes to pole attachment regulation. Changes include:

- Requiring regulated pole owners to provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by the utility.

- New regulations to govern the rates for pole attachments used by companies providing telecommunications services, including cable operators.

- New rate regulations go into effect in February 2001. Any increase will be phased in through equal annual increments over a period of five years beginning in February 2001.

Although the FCC has issued its regulations, they are subject to changes on reconsideration or appeal. Some issues that may affect the ultimate rates for telecommunications attachments to utility poles remain outstanding.

Other Statutory Provisions

Other federal law potentially impacting our cable systems or our business include:

Transactions with affiliated programmers. The Communications Act and FCC regulations prohibit any satellite video programmer affiliated with a cable company from favoring an affiliated company over competitors. A satellite video programmer affiliated with a cable company must sell its programming to unaffiliated multichannel video distributors on nondiscriminatory terms. These provisions restrict the ability of program suppliers affiliated with cable companies to offer exclusive programming arrangements to their affiliates.

Content regulation. The Telecommunications Act of 1996 required operators to block fully both the video and audio portion of sexually explicit or indecent programming on channels that are primarily dedicated to sexually oriented programming or alternatively to carry such programming only at "safe harbor" time, periods defined by the FCC as the hours between 10 p.m. and 6 a.m. The U.S. Supreme Court recently ruled that these restrictions are unconstitutional.

The Telecommunications Act of 1996 also contains provisions regulating the content of video programming and computer services. Specifically, the law prohibits the use of computer services to transmit "indecent" material to minors. The U.S. Supreme Court has ruled that the provisions relating to the regulation of indecent material are unconstitutional.

Under the Telecommunications Act of 1996, the television industry recently adopted a voluntary ratings system for violent and indecent video programming. The Telecommunications Act of 1996 also requires all new television sets to contain a so-called "V-chip" capable of blocking all programs with a given rating.

Miscellaneous Telecommunications Act of 1996 provisions. The Telecommunications Act of 1996 modifies several other cable-related statutory provisions including those governing technical standards, equipment compatibility, subscriber notice requirements and program access. The Telecommunications Act of 1996 also repeals the three-year anti-trafficking prohibition adopted in the Cable Television Consumer Protection and Competition Act. FCC regulations implementing the Telecommunications Act of 1996 preempt certain local restrictions on satellite and over-the-air antenna reception of video programming services, including zoning, land-use or building regulations, or any private covenant, homeowners' association rule, lease, or similar restriction on property within the exclusive use or control of the antenna user.

Other FCC Regulations

In addition to the FCC regulations noted above, cable-related FCC regulations govern other aspects of our cable systems and our business including:

- signal leakage,
- equal employment opportunity,
- syndicated program exclusivity,
- network program non-duplication,
- registration of cable systems,
- maintenance of records and public inspection files,
- microwave frequency usage,
- lockbox availability,
- sponsorship identification,
- antenna structure notification, marking and lighting,

- carriage of local sports broadcast programming,
- political broadcasts and advertising,
- advertising contained in non-broadcast children's programming,
- consumer protection and customer service,
- technical standards,
- consumer electronics equipment compatibility,
- closed captioning, and
- emergency alert systems.

The FCC has the authority to enforce its regulations through cease and desist orders, substantial fines and other administrative sanctions including the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations.

Over the past several years, Congress and other governmental bodies have considered bills and administrative proposals related to cable television. Other legislative and administrative proposals regulating cable television will likely continue to come before lawmakers and administrative agency.

Copyright

The Copyright Act requires cable television systems to obtain a compulsory copyright license covering the retransmission of television and radio broadcast signals. In exchange for filing periodic reports and paying a percentage of revenues to a federal copyright royalty pool, cable systems obtain a compulsory license to retransmit the copyrighted material on broadcast signals. Congress and the Copyright Office have considered possible changes to, or elimination of, the compulsory copyright license. The elimination or substantial modification of the cable compulsory license could adversely affect our ability to obtain suitable programming and could substantially increase the cost of programming available for distribution to our subscribers. We cannot predict the outcome of this activity.

Cable operators distribute programming and advertising that use music controlled by three primary performing rights organizations, the American Society of Composers, Authors and Publishers, Broadcast Music, Inc. and the Society of European Stage Authors and Composers. In October 1989, the special rate court of the U.S. District Court for the Southern District of New York imposed interim rates on the cable industry's use of music controlled by the American Society of Composers, Authors and Publishers. American Society of Composers, Authors and Publishers and cable industry representatives have met to discuss the development of a standard licensing agreement covering music controlled by the American Society of Composers, Authors and Publishers in local origination and access channels and pay-per-view programming. We cannot predict the ultimate outcome of these industry negotiations or the amount of any license fees required for past and future use of music controlled by the American Society of Composers, Authors and Publishers. We do not believe such license fees will materially impact our financial position, results of operations or liquidity. The same U.S. District Court for the Southern District of New York recently established a special rate court for Broadcast Music, Inc. Broadcast Music, Inc. and cable industry representatives recently concluded negotiations for a standard licensing agreement covering the performance of Broadcast Music, Inc. music contained in advertising and other information inserted by operators into cable programming and on certain local access and origination channels carried on cable systems. The Society of European Stage Authors and Composers and cable industry representatives have agreed on an interim licensing plan pending adoption of a standard licensing agreement.

State and Local Regulation

Because our cable systems use local streets and rights-of-way, state and local governments regulate many aspects of our business, typically through the cable franchise process. Generally, a municipality will grant a cable system a non-exclusive franchise to occupy the streets and rights-of-way to operate a cable system, subject to the terms of the franchise. Most franchises specify terms of between 5 and 15 years, subject to earlier termination for material noncompliance. The terms and conditions of franchises vary materially from

jurisdiction to jurisdiction. Most franchises contain provisions governing cable service rates, franchise fees, franchise term, system construction and maintenance obligations, system channel capacity, design and technical performance, customer service standards, franchise renewal, sale or transfer of the franchise, territory of the franchisee, indemnification of the franchising authority, use and occupancy of public streets and types of cable services provided.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation similar to that of a public utility. We expect other states to increase regulation of cable television. Currently, Connecticut, Massachusetts and New York use centralized authorities for some or all aspects of cable regulation. Michigan does not currently have a centralized authority for cable television regulation. State and local authority under cable franchises remains subject to federal law.

We have not described all present and proposed federal, state, and local regulations and legislation affecting the cable industry. Other existing federal regulations, copyright licensing, and, in many jurisdictions, state and local franchise requirements, are currently the subject of judicial proceedings, legislative hearings, legislative initiatives (including active legislation) and administrative proposals which could change, in varying degrees, the manner in which cable television systems operate. We cannot predict the outcome of these proceedings or the impact upon us or the cable television industry.

Executive Officers, Managers and Directors

Each of the issuers is an indirect subsidiary of, and is controlled by, Avalon Cable Holdings. Avalon Cable Holdings is a limited liability company whose affairs are governed by a Board of Managers. The following table sets forth certain information, as of March 15, 1999, with respect to the executive officers and managers of Avalon Cable Holdings. Each of Avalon Cable Holdings' managers is also a manager of Avalon Cable LLC and a director of Avalon Cable Holdings Finance, Inc. The executive officers of each of the issuers are substantially similar to the executive officers of Avalon Cable Holdings. The election of the managers is subject to the terms of the Members Agreement of Avalon Cable LLC described below. For additional information, please refer to the "Certain Relationships and Transactions--Members Agreement" section of this prospectus.

Name	Age	Position and Offices
David W. Unger.....	43	Chairman of the Board
Joel C. Cohen.....	54	President, Chief Executive Officer, Secretary and Manager
Peter Polimino.....	41	Vice President--Finance
Peter Luscombe.....	41	Vice President--Engineering
John F. Dee.....	39	General Manager of New England Operations
Mark Dineen.....	34	General Manager of Michigan Operations
Jay M. Grossman.....	39	Manager, Vice President and Assistant Secretary
Peggy J. Koenig.....	41	Manager, Vice President and Assistant Secretary
Royce Yudkoff.....	43	Manager

The following sets forth certain biographical information with respect to the executive officers and managers of Avalon Cable Holdings.

David W. Unger has been the Chairman of the Board of Avalon Cable Holdings since 1997 when he co-founded Avalon Cable Holdings. Since 1995, Mr. Unger has invested in, operated and sold communications businesses. Prior to 1995, Mr. Unger worked for Communications Equity Associates, Teleprompter Corp., TKR Cable Co. and as an investment banker. In addition to his duties to Avalon, Mr. Unger serves as Vice President of Muzak LLC, a provider of commercial background and foreground music. ABRY is the principal investor in Muzak. Mr. Unger is a director of Muzak.

Joel C. Cohen has been the President, Chief Executive Officer, Secretary and a Manager of Avalon Cable Holdings since 1997 when he co-founded Avalon Cable Holdings. From 1996 to 1997, Mr. Cohen served as the Chief Financial Officer of Patient Education Media, Inc. and as a consultant to various cable companies. From 1992 to 1996 Mr. Cohen served as a director and as both Chief Operating Officer and Chief Financial Officer for Harron Communications Corp., a cable and broadcast television operator with more than 200,000 cable subscribers. Prior to 1992, Mr. Cohen was Senior Vice President of United Artists Entertainment Company and President of its international division. Mr. Cohen also served in various executive positions at Group W Cable and Teleprompter Corp.

As stated above, Mr. Cohen served as the Chief Financial Officer of Patient Education Media from June 1996 through December 1997. Prior to June 1996, Patient Education Media did not employ a Chief Financial Officer. Patient Education Media was formed in 1994 to create and market patient educational videos and other products under the trademark TIME-LIFE MEDICAL. Patient Education Media ceased producing education video tapes in September 1996 and ceased all operations on December 20, 1996. Thereafter, Patient Education Media proceeded to liquidate the majority of its assets. On March 14, 1997, Patient Education Media filed a petition under Chapter 11 of the United States Bankruptcy Code. In January 1998, Mr. Cohen was appointed by the Bankruptcy Court for the Southern District of New York to act as disbursing agent in relation to the liquidation of Patient Education Media.

Peter Polimino has been the Vice President of Finance of Avalon Cable Holdings since November 1998. Mr. Polimino is a financial professional with over 18 years of experience in cable, broadcast and network television and radio. Prior to joining Avalon Cable Holdings in November 1998, Mr. Polimino was Vice President, Finance of the Sales Division of Fox/Liberty Networks during 1998. From 1980 to 1998, Mr. Polimino held various financial positions at Westinghouse Broadcasting, including Teleprompter Manhattan Cable, Huntington TV Cable, Group W Television, KDKA TV/Radio, WINS Radio, WNEW Radio and The CBS Television Network.

Peter Luscombe has been the Vice President of Engineering of Avalon Cable Holdings since August 1998. Prior to joining Avalon Cable Holdings, Mr. Luscombe was Executive Director of Engineering for the 3.1 million subscriber Atlantic Division of Telecommunications, Inc. His responsibilities included engineering strategy and technical operations for a variety of cable systems, including both smaller traditional systems and larger, more technologically aggressive cable systems with cable modem and compressed digital video operations. From 1982 through 1997, Mr. Luscombe was Vice President of Engineering for TKR Cable Company, an 800,000 subscriber MSO. Mr. Luscombe has been a director of the National Society of Cable Telecommunications Engineers and a member of the technical advisory committee of the Cable Television Laboratories, Inc. Mr. Luscombe maintains an active membership in the National Society of Cable Telecommunications Engineers.

John F. Dee has been the General Manager of Avalon Cable Holdings' New England operations since July 1998. Prior to joining Avalon Cable Holdings, Mr. Dee was responsible for the New England operations of Pegasus. He originally joined Pegasus as Technical Manager in 1992. From 1981 through 1992, Mr. Dee held various technical positions with United Cable TV and Telecommunications, Inc.

Mark Dineen has been the General Manager of Avalon Cable Holdings' Michigan operations since November 1998. Prior to joining Avalon Cable Holdings, Mr. Dineen was employed by Cable Michigan in various corporate and field positions, including as Corporate Director of Marketing, since 1992. From 1987 to 1992, Mr. Dineen held marketing and sales management positions with Bresnan Communications and Harron Communications in their Michigan cable systems.

Jay M. Grossman is a Vice President, Assistant Secretary and Manager of Avalon Cable Holdings and a partner in ABRY Partners, Inc. Prior to joining ABRY Partners in 1996, Mr. Grossman was managing director and co-head of Prudential Securities' media and entertainment investment banking group. From 1986 to 1994, Mr. Grossman served in various positions, ultimately as a senior vice president, in the corporate finance department of Kidder, Peabody & Co. Incorporated. Mr. Grossman is a director (or the equivalent) of various companies including Nexstar Broadcasting Group, LLC, Network Music Holdings LLC, Connoisseur Communications Partners, L.P., and DirecTel International, LLC.

Peggy J. Koenig is a Vice President, Assistant Secretary and Manager of Avalon Cable Holdings and a partner in ABRY Partners. Ms. Koenig joined ABRY Partners in 1993. From 1988 to 1992, Ms. Koenig was a Vice President, partner and member of the Board of Directors of Sillerman Communications Management Corporation, a merchant bank, which made investments principally in the radio industry. Ms. Koenig was the Director of Finance from 1986 to 1988 for Magera Management, an independent motion picture financing company. She is presently a director (or the equivalent) of Connoisseur Communications Partners, L.P., Pinnacle Holdings Inc. and Network Music Holdings LLC.

Royce Yudkoff is a manager of Avalon Cable Holdings and President and Managing Partner of ABRY Partners. Prior to joining ABRY Partners, Mr. Yudkoff was affiliated with Bain & Company, an international management consulting firm. At Bain, where he was a partner from 1985 through 1988, he shared significant responsibility for the firm's media practice. Mr. Yudkoff is presently a director (or the equivalent) of various companies including Quorum Broadcast Holdings Inc., Nexstar Broadcasting Group, LLC, Metrocall, Inc. and Pinnacle Holdings, Inc.

Compensation of Managers

Each of the managers of Avalon Cable Holdings receives reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board of Managers. The managers who are employees of Avalon Cable Holdings do not receive any fee in addition to their regular salary for serving on the Board of Managers. The managers who are not employees of Avalon Cable Holdings do not receive any compensation for serving on the Board of Managers.

Executive Compensation

Avalon Cable Holdings was formed in 1997. The issuers were formed during 1997 and 1998 in connection with the acquisitions of Cable Michigan and AMRAC Clear View and related financing transactions. The executive officers of Avalon Cable Holdings are similar in all material respects to the executive officers of the issuers. None of the officers of Avalon Cable Holdings, other than its chief executive officer, received compensation in excess of $100,000 in his capacity as an officer of Avalon Cable Holdings in 1998. The following table sets forth information concerning the compensation of Avalon Cable Holdings' Chief Executive Officer for services in all capacities rendered to Avalon Cable Holdings and its affiliates in 1998.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options/SARs	All Other Compensation
Joel C. Cohen..... Chief Executive Officer	1998	$104,167	--	--	--	--

Management Employment Agreements

Each of our executive officers, Messrs. Unger, Cohen, Polimino, Luscombe, Dee and Dineen, is a party to an employment agreement that provides for an annual base salary and eligibility for a bonus if certain performance goals are met. The employment agreements for Messrs. Unger, Cohen, Polimino and Luscombe are described below. Messrs. Dee and Dineen have employment agreements with similar provisions. In addition, certain of the equity interests in Avalon owned by these executives will vest under the terms of the Management Securities Purchase Agreements that are described in the "Certain Relationships and Related Transactions--Management Securities Purchase Agreements" section of this prospectus.

David W. Unger. Pursuant to an employment agreement dated November 6, 1998 between Mr. Unger and Avalon Cable LLC, Avalon Cable LLC has agreed to employ, and Mr. Unger has agreed to serve, as Chairman of the Board of Avalon Cable LLC and its subsidiaries for a period of five years or until his earlier resignation, death, disability or termination of employment. Mr. Unger's employment agreement provides that Mr. Unger is:

- required to devote approximately two-thirds of his business time to our company,
- entitled to receive a minimum base salary of $125,000 with annual increases of 5% per year,
- eligible to receive a bonus, as determined by the Board, up to 20% of his base salary in effect during each fiscal year,
- prohibited from competing with our company during the term of his employment period and for a period of six months thereafter, and
- prohibited from disclosing any confidential information gained during his employment with us.

If we terminate Mr. Unger's employment without "Cause," Mr. Unger is entitled to receive his base salary then in effect and benefits for a period of six months thereafter subject to compliance with all other applicable provisions of Mr. Unger's employment agreement.

Joel C. Cohen. Pursuant to an employment agreement dated November 6, 1998 between Mr. Cohen and Avalon Cable LLC, Avalon Cable LLC has agreed to employ, and Mr. Cohen has agreed to serve, as President and Chief Executive Officer of Avalon Cable LLC and its subsidiaries for a period of five years or until his earlier resignation, death, disability or termination of employment. Mr. Cohen's employment agreement further provides that Mr. Cohen is:

- required to devote substantially all of his business time to our company,
- entitled to receive a minimum base salary of $250,000 with annual increases of 5% per year,
- eligible to receive a bonus, as determined by the Board, of up to 20% of his base salary,
- prohibited from competing with our company during his employment period and for a period of six months thereafter, and
- prohibited from disclosing any confidential information gained by him during his employment with us.

If we terminate Mr Cohen's employment without "Cause," Mr. Cohen is entitled to receive his then base salary and benefits for a period of six months thereafter subject to compliance with all other applicable provisions of Mr. Cohen's employment agreement.

Peter Polimino. Pursuant to an employment agreement dated November 6, 1998 between Mr. Polimino and Avalon Cable LLC, Avalon Cable LLC has agreed to employ, and Mr. Polimino has agreed to serve, as Vice President of Finance of Avalon Cable LLC and its subsidiaries for a period of five years or until his earlier resignation, death, disability or termination of employment. Mr. Polimino's employment agreement further provides that Mr. Polimino is:

- required to devote 100% of his business time to our company,
- entitled to receive a minimum base salary of $110,000 per year,
- eligible to receive a bonus, as determined by the Board, of up to 20% of his base salary,
- prohibited from competing with us during his employment period and for a period of six months thereafter, and
- prohibited from disclosing any confidential information gained by him during his employment with us.

Peter Luscombe. Pursuant to an employment agreement dated November 6, 1998 between Mr. Luscombe and Avalon Cable LLC, Avalon Cable LLC has agreed to employ, and Mr. Luscombe has agreed to serve, as Vice President of Engineering of Avalon Cable LLC and its subsidiaries for a period of five years or until his earlier resignation, death, disability or termination of employment. Mr. Luscombe's employment agreement further provides that Mr. Luscombe is:

- required to devote 100% of his business time to our company,
- entitled to receive a minimum base salary of $110,000 per year,
- eligible to receive a bonus, as determined by the Board, of up to 20% of his base salary,
- prohibited from competing with us during his employment period and for a period of six months thereafter, and
- prohibited from disclosing any confidential information gained by him during his employment with us.

Investor Securities Purchase Agreement

David W. Unger, Joel C. Cohen, ABRY Broadcast Partners III, Avalon Cable Holdings and others are parties to an Investor Securities Purchase Agreement dated as of May 29, 1998, as amended as of November 6, 1998, pursuant to which Avalon Cable Holdings sold to investors, and investors purchased from Avalon Cable Holdings, Class A units of Avalon Cable Holdings for $1,000 per unit, in cash. Under this agreement, as amended, ABRY Broadcast Partners III purchased a total of 30,000.000 Class A-2 units for an aggregate price of $30,000,000 and a total of 11,094.031 Class A-3 units for an aggregate purchase price of $11,094,031, Mr. Unger purchased a total of 802.658 Class A-1 units for an aggregate price of $802,658 and Mr. Cohen purchased a total of 702.658 Class A-1 units for an aggregate price of $702,658. The investors are entitled to indemnification in certain circumstances to the extent that Avalon Cable Holdings is determined to have breached certain representations, warranties or agreements contained in the Investors Securities Purchase Agreement.

Management Securities Purchase Agreements

Each of our executives named above entered into a Management Securities Purchase Agreement with Avalon Cable Holdings pursuant to which Avalon Cable Holdings sold to each Executive and such Executive purchased from Avalon Cable Holdings incentive units. The incentive units purchased by each of the Executives are subject to vesting over a five-year period. In addition, each Management Securities Purchase Agreement provides that the incentive units purchased thereunder will, subject to specified limitations, automatically vest in full upon a Sale of the Company, as defined in such Management Securities Purchase Agreement, and will cease to vest upon the date on which each such executive ceases to be employed by Avalon Cable Holdings or any of its subsidiaries. Each Management Securities Purchase Agreement further provides that Avalon Cable Holdings or ABRY Broadcast Partners III may repurchase the applicable executive's unvested units at the initial purchase price at any time within 18 months of such executive's termination of employment. The aggregate price paid by each executive for their incentive units was less than $60,000.

Members Agreement

Avalon Cable Holdings, ABRY Broadcast Partners III and our executives are parties to a Members Agreement dated as of May 29, 1998. Pursuant to this Members Agreement, ABRY Broadcast Partners III and each of the executives have agreed to vote their equity interests in Avalon Cable Holdings to elect three representatives of ABRY Broadcast Partners III and each of Messrs. Unger and Cohen to the board of managers of Avalon Cable Holdings. The Members Agreement also contains:

- ""co-sale" rights exercisable by the executives and others in the event of certain sales by ABRY Broadcast Partners III,
- ""drag along" sale rights exercisable by ABRY Broadcast Partners III, as majority interest holder in Avalon Cable Holdings, in the event of an Approved Company Sale (as defined in the Members Agreement) and
- restrictions on transfers by interest holders in Avalon Cable Holdings other than ABRY Broadcast Partners III.

The voting, co-sale, drag along and transfer restrictions will terminate upon the consummation of the first to occur of (a) an initial public offering by Avalon Cable Holdings resulting in at least $25 million in net proceeds or in which at least 25% of the equity interests of Avalon Cable Holdings are sold or (b) a Sale of the Company (as defined in the Members Agreement).

Registration Agreement

Avalon Cable Holdings, ABRY Broadcast Partners III, our executives and certain other holders are parties to a Registration Agreement dated as of May 29, 1998. Pursuant to the Registration Agreement, the holders of

a majority of the ABRY Registrable Securities (as defined in the Registration Agreement) may request registration under the Securities Act of all or any portion of the ABRY Registrable Securities:

- on Form S-1 or any similar long-form registration,
- on Form S-2 or S-3 or any similar short-form registration, if available, and
- on any applicable form pursuant to Rule 415 under the Securities Act.

In addition, all holders of Registrable Securities (as defined in the Registration Agreement) will have unlimited "piggyback" registration rights, which, subject to certain terms and conditions, entitle them to include their registrable equity securities in any registration of securities by Avalon Cable Holdings, other than registrations related to transactions and employee benefit plans.

All expenses incident to a demand registration, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, fees of counsel for Avalon Cable Holdings and the holders of registrable securities and all independent certified public accountants and underwriters, will be borne by us.

Avalon Cable LLC Securities Purchase Agreement

Avalon Cable Holdings, Avalon Cable LLC, Avalon Cable of Michigan Holdings, Inc., Avalon Cable of New England Holdings, Inc., Avalon Cable of Michigan, Inc. and Avalon Investors are parties to a Securities Purchase Agreement dated as of November 6, 1998, as amended and restated on March 26, 1999. Pursuant to this Securities Purchase Agreement, on November 6, 1998, Avalon Cable LLC sold to Avalon Investors, and Avalon Investors purchased from Avalon Cable LLC, all of the outstanding Class A units issued by Avalon Cable LLC for $45.0 million in cash. The Class A units have no voting rights. In addition, pursuant to this Securities Purchase Agreement, as amended on March 26, 1999, Avalon Cable of Michigan, Inc. transferred to Avalon Cable LLC, and Avalon Cable LLC assumed from Avalon Cable of Michigan, Inc., all right, title and interest of Avalon Cable of Michigan, Inc. in substantially all of its assets and liabilities in exchange for 510,994 Class B-2 Units issued by Avalon Cable LLC. Avalon Cable LLC then transferred these assets and liabilities to Avalon Cable of Michigan LLC. These transfers of assets and liabilities were part of the reorganization and in the reorganization, the number of Class A units and nature of the rights of Avalon Investors in their Class A units did not change.

Avalon Cable LLC Members Agreement

Avalon Cable LLC, ABRY Broadcast Partners III, Avalon Cable Holdings, Avalon Cable of New England Holdings, Avalon Cable of Michigan, Inc., Avalon Cable of Michigan Holdings and Avalon Investors are parties to an Amended and Restated Members Agreement dated as of March 26, 1999. This Members Agreement contains:

- ""co-sale" rights exercisable by Avalon Investors in the event of certain sales by ABRY Broadcast Partners III, Avalon Cable Holdings and their affiliates,
- ""drag along" sale rights exercisable by Avalon Cable Holdings and its affiliates in the event of an Approved Company Sale (as defined in this Members Agreement),
- restrictions on transfers by interest holders in Avalon Cable LLC
- ""pre-emptive rights" provisions and
- obligations to enter into a Registration Rights Agreement immediately before an initial public offering.

Avalon Cable of Michigan, Inc. and Avalon Cable of Michigan Holdings became parties to this Members Agreement as part of the reorganization. This Members Agreement terminates upon the first sale of securities of Avalon Cable LLC or a successor entity to the public with proceeds of more than $50 million.

ABRY Management and Consulting Services Agreement

Pursuant to an Amended and Restated Management and Consulting Services Agreement between ABRY Partners, Avalon Cable Holdings, Avalon Cable of Michigan Holdings, Avalon Cable of Michigan, Inc., Avalon Cable of New England, Inc., Avalon Cable of New England LLC and Avalon Cable LLC dated as of November 6, 1998, ABRY Partners is entitled to a management fee for advisory and management consulting services to us. No amounts have been paid or are currently payable under this agreement.

Cable Michigan Equity Ownership

As of the date of our merger with Cable Michigan, Mr. Unger and Mr. Cohen owned 5,000 shares and 2,000 shares of Cable Michigan common stock, respectively, which were purchased at prices substantially below the $40.50 price per share paid in the merger. These shares were purchased by Messrs. Cohen and Unger in their individual capacities and before the commencement of the discussions leading to the merger. In the Cable Michigan merger, Mr. Unger received $202,500 and Mr. Cohen received $81,000 on account of these shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The issuers are each indirectly controlled by Avalon Cable Holdings. Avalon Cable Holdings Finance is a wholly owned subsidiary of Avalon Cable LLC. Avalon Cable Holdings owns a controlling interest in Avalon Cable LLC. Avalon Cable of Michigan LLC and Avalon Cable of New England LLC are wholly owned subsidiaries of Avalon Cable LLC. Avalon Cable Finance, Inc. is a wholly owned subsidiary of Avalon Cable Holdings Finance.

The following table sets forth certain information regarding the beneficial ownership of the class A units of Avalon Cable Holdings (which are the only outstanding membership interests in Avalon Cable Holdings with voting rights) as of May 15, 1998 by:

- holders having beneficial ownership of more than 5% of the voting equity interests of Avalon Cable Holdings,
- each manager and director of Avalon Cable Holdings and the issuers,
- the executive officers of Avalon Cable Holdings and the issuers and
- all such managers, directors and executive officers as a group.

For purposes of the table:

- "Beneficial owner" generally means any person who, directly or indirectly, has or shares voting or investment power with respect to a security. Unless otherwise indicated, we believe that each holder has sole voting and investment power with regard to the equity interests listed as beneficially owned. Percentage ownership is based on a total of 43,202.901 units outstanding.
- Mr. Yudkoff is the sole owner of the equity interests of ABRY Holdings III, Inc., the general partner of ABRY Equity Investors, L.P., the general partner of ABRY Broadcast Partners III, L.P. As a result, Mr. Yudkoff may be deemed to beneficially own the shares owned by ABRY Broadcast Partners III, L.P. The address of Mr. Yudkoff is the address of ABRY Broadcast Partners III, L.P.

	Beneficial Ownership	
Beneficial Owner	Number of Class A Units	Percentage Ownership
ABRY Broadcast Partners III, L.P. 18 Newbury Street Boston, MA 02116	41,094.927	95.12%
David W. Unger	802.658	1.86%
Joel C. Cohen	702.658	1.63%
Peter Polimino	--	--
John F. Dee	--	--
Mark Dineen	--	--
Peter Luscombe	--	--
Jay M. Grossman	--	--
Peggy J. Koenig	--	--
Royce Yudkoff(b)	41,094.927	95.12%
All managers, directors and executive officers as a group (9 persons)	42,600.243	98.61%

Avalon Equity Structure

The issuers are each indirectly controlled by Avalon Cable Holdings. Avalon Cable Holdings has three classes of equity units authorized and available for issuance:

- Class A units,
- Class B units, and
- Class C units.

Each class of units represents a fractional part of the membership interests of Avalon Cable Holdings and has the rights and obligations specified in Avalon Cable Holdings' Amended and Restated Limited Liability Company Agreement.

Voting Units

Each Class A unit is entitled to voting rights equal to the percentage such unit represents of the aggregate number of outstanding Class A units. A preferred return accrues semi-annually on the original issue price of each of these voting units at a rate of 15%, or 20% under certain circumstances, per annum. Avalon Cable Holdings cannot pay distributions in respect of other classes of securities, including distributions made in connection with a liquidation, until the original issue price and accrued preferred return in respect of each voting unit is paid to each holder thereof. In addition to these priority distributions, each holder of voting units is also entitled to participate in distributions payable to the residual common equity interests of Avalon Cable Holdings.

Incentive Units

The Class B units and Class C units are non-voting equity interests in Avalon Cable Holdings which were issued to each of Avalon Cable Holdings' executives subject to the terms and conditions in the applicable Management Securities Purchase Agreement. Each holder of the incentive units is entitled to participate in the residual common equity interests, if any, provided that all of these priority distributions on all Class A units shall have been paid in full.

Avalon Cable LLC Equity Structure

Avalon Cable LLC directly or indirectly controls each of the issuers' operating companies. Avalon Cable LLC has authorized two classes of equity units: Class A units and Class B units. The units represent a fractional part of the membership interests of Avalon Cable LLC and have the rights and obligations specified in Avalon Cable LLC's Limited Liability Company Agreement. Each Class B unit is entitled to voting rights equal to the percentage such unit 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 non-voting participating preferred equity interests, each of which was issued on November 6, 1998 to Avalon Investors.

A preferred return accrues annually on the initial purchase price of each Class A unit at a rate of 15%, or 17% under certain circumstances, per annum. Avalon Cable LLC cannot pay distributions in respect of other classes of securities, including distributions made in connection with a liquidation, until the initial purchase price and accrued preferred return in respect of each Class A unit of Avalon Cable LLC is paid to the holders thereof. So long as any portion of the preferred distributions remains unpaid, the holders of a majority of the Class A units are entitled to block certain actions by Avalon Cable LLC, 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 these distributions, each Class A unit is also entitled to participate in distributions made on the Class B units as described below after the priority distributions, pro rata according to the percentage such unit represents of the aggregate number of units of Avalon Cable LLC then outstanding.

Class B Units

The Class B units are equity securities which are divided into two identical subclasses, Class B-1 units and Class B-2 units. There are currently 64,696 Class B-1 units outstanding, all which were issued to Avalon Cable of New England Holdings on November 6, 1998, in exchange for its contribution to the capital of Avalon Cable LLC of its 100% membership interest in Avalon Cable of New England. There are currently 510,994 Class B-2 units outstanding, all of which were issued to Avalon Cable of Michigan, Inc. in exchange for the contribution of substantially all of its assets to the capital of Avalon Cable LLC as part of the reorganization. After the payment in full of the preferred distributions on the Class A units, each Class B unit is entitled to participate in distributions pro rata according to the percentage such unit represents of the aggregate number of units of Avalon Cable LLC then outstanding.

The following description of the material provisions of certain indebtedness of the issuers and their affiliates is subject to, and is qualified in its entirety by reference to, the applicable instruments, copies of which may be obtained as described under "Available Information."

The Credit Facility

The credit facility is a $320,888,000 secured credit facility of Avalon Cable of New England, Avalon Cable of Michigan LLC and Avalon Cable Finance, each of which is a borrower. Avalon Cable of Michigan LLC became a borrower instead of Avalon Cable of Michigan, Inc. as part of the reorganization. The credit facility was provided to the borrowers by a syndicate of banks and other financial institutions for which Lehman Commercial Paper Inc. acts as administrative agent. The credit facility provides for:

- term loan borrowings of up to $120,888,000 under the Tranche A term loan facility,
- term loan borrowings of $170,000,000 under the Tranche B term loan facility, and
- revolving credit borrowings of up to $30,000,000 under the revolving credit facility.

In addition, before November 6, 2001, subject to the approval of the administrative agent and, in certain instances, to the approval of the required lenders, the borrowers may request that incremental term loan facilities of up to $75,000,000 be established in accordance with the terms of the credit facility. As of March 31, 1999, there were borrowings of $36.3 million outstanding under the Tranche A term loan facility, $129.6 million outstanding under the Tranche B term loan facility and $13.7 million outstanding under the revolving credit facility, and $16.3 million of availability under the revolving credit facility. The remaining commitments under the Tranche A term loan facility will terminate on March 31, 1999, and the revolving credit facility will terminate on October 31, 2005. Additional borrowings could be made under the Tranche A term loan facility only to complete certain acquisitions. Borrowings under the revolving credit facility may be used for acquisitions and other corporate purposes. The Tranche A term loans are subject to quarterly amortization payments commencing on January 31, 2001 and maturing on October 31, 2005. The Tranche B term loans are subject to minimal quarterly amortization payments commencing on January 31, 2001 with substantially all of such Tranche B term loans scheduled to be repaid in two equal installments on July 31, 2006 and October 31, 2006.

The interest rate under the credit facility is a rate based on either:

(a) the base rate, which is generally defined as the greater of (1) the prime or base rate as announced from time to time by a specified lender under the credit facility and (2) a federal funds rate, or

(b) the Eurodollar rate, which is generally defined as the rate appearing on Page 3750 of the Dow Jones Markets screen at a specified time or, if such rate does not so appear, another comparable publicly available service for displaying eurodollar rates,

plus, in either case, the applicable margin.

As of March 31, 1999, the interest rate on the Tranche A term loans was 7.94% per annum and with respect to the Tranche B term loans was 8.69% per annum. The applicable margin for the Tranche A term loans and revolving credit loans is subject to performance based grid pricing which is determined based upon the consolidated leverage ratio of the borrowers as calculated in accordance with the credit facility.

The credit facility provides for mandatory prepayments and commitment reductions (in each case subject to certain exceptions and/or thresholds) out of net cash proceeds from issuances of capital stock, the incurrence of indebtedness, certain asset sales, insurance proceeds and excess cash flow. Voluntary prepayments are permitted in whole or in part at the option of the borrowers, in minimum principal amounts, without premium or penalty, except that Tranche B term loans must be prepaid, at 102% and 101% of the principal amount

thereof, for the first year and second year, respectively, and the issuers must reimburse certain of the senior lenders' costs under certain conditions.

The credit facility provides that the borrowers must meet or exceed a consolidated interest coverage ratio, fixed charge coverage ratio and debt service coverage ratio and must not exceed certain consolidated leverage ratios, each as set forth in the credit facility. The credit facility also contains customary affirmative covenants, including, required interest rate protection arrangements and the pledge of additional collateral in certain circumstances, and certain negative covenants, including covenants that limit certain indebtedness, liens, fundamental changes, disposition of property, restricted payments, including distributions to the issuers of amounts to pay the Accreted Interest Redemption Amount and other interest payments on the old notes and new notes, capital expenditures, investments, optional payments and modifications of debt instruments, including the indenture governing the old notes and new notes and the senior subordinated notes, transactions with affiliates and sales and leasebacks. In particular, under the credit facility, the issuers' operating companies may pay cash dividends to the issuers to allow payments of interest, including the Accreted Interest Redemption Amount, on the old notes and new notes so long as no default, or event of default shall have occurred and be continuing or would occur as a result thereof and a consolidated leverage ratio test is satisfied. The credit facility includes customary events of default.

The obligations of the borrowers under the credit facility are secured by substantially all the assets of the borrowers. In addition, the obligations of the borrowers under the credit facility are guaranteed by each of the issuers, Avalon Cable Holdings, Avalon Cable of New England Holdings, Avalon Cable LLC, Avalon Cable Finance Holdings, and Avalon Cable of Michigan, Inc. None of the guarantors have significant assets other than their investments in affiliates.

The Senior Subordinated Notes

On December 3, 1998, Avalon Cable of Michigan, Inc., Avalon Cable of New England LLC and Avalon Cable Finance, Inc. issued $150.0 million aggregate principal amount of their 9 3/8% senior subordinated notes due 2008. The senior subordinated notes were issued under an indenture dated as of December 10, 1998 by and among Avalon Cable of New England, Avalon Cable Finance and Avalon Cable of Michigan LLC, as issuers, and The Bank of New York, as trustee.

In the reorganization, Avalon Cable of Michigan, Inc. ceased to be obligated as an issuer under the senior subordinated notes and became a guarantor of Avalon Cable of Michigan LLC's obligations under the senior subordinated notes. Thus, the obligors under the senior subordinated notes are currently Avalon Cable of New England, Avalon Cable Finance and Avalon Cable of Michigan LLC, which we refer to collectively as the senior subordinated note issuers. Avalon Cable of Michigan LLC does not have significant assets or liabilities, other than its equity interest in Avalon Holdings.

The senior subordinated notes are general unsecured obligations of the senior subordinated note issuers and are subordinated in right of payment to all current and future senior indebtedness of the senior subordinated note issuers, including indebtedness under the credit facility. Interest on the senior subordinated notes accrues at the rate of 9.375% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, to holders of record on the immediately preceding May 15 and November 15. The senior subordinated notes are limited in aggregate principal amount to $200.0 million, of which $150.0 million was issued in the initial senior subordinated note offering. The remaining $50.0 million may be issued from time to time, subject to compliance with the debt incurrence covenants in the senior subordinated note indenture, the indenture governing the old notes and the new notes and the financial covenants in the credit facility.

On or after December 1, 2003, the senior subordinated notes will be subject to redemption at any time at the option of the senior subordinated note issuers, in whole or in part, at the redemption prices (expressed as percentage of principal amount) set forth 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	104.688%
2004	103.125%
2005	101.563%
2006 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to December 1, 2001, the senior subordinated note issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of senior subordinated notes originally issued under the senior subordinated note indenture 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, thereon, 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 of senior subordinated notes originally issued remain outstanding immediately after each occurrence of such redemption. As used in this paragraph, "equity offering" and "strategic equity investment" have substantially the same meanings as in the indenture governing the old notes and new notes.

Upon the occurrence of a "change of control," each holder of senior subordinated notes will have the right to require the senior subordinated note issuers to repurchase all or any part of such holder's senior subordinated notes pursuant to a change of control offer at any 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. For such purpose, "change of control" has substantially the same meaning as in the Senior Subordinated Note Indenture.

The senior subordinated note indenture contains covenants that, among other things, limits the ability of the senior subordinated note issuers and their restricted subsidiaries, to:

- incur additional indebtedness,
- pay dividends or make certain other restricted payments, including distributions to the issuers of amounts to pay the Accreted Interest Redemption Amount and interest payments on the old notes and the new notes,
- 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,
- incur indebtedness that is senior to the senior subordinated notes but junior to senior indebtedness and,
- with respect to the restricted subsidiaries, issue capital stock.

In particular, the senior subordinated note indenture provides that payments of cash dividends by the senior subordinated note issuers to the issuers in order to make payments of interest, including the Accreted Interest Redemption Amount, in accordance with the terms of the old note and new notes will be permitted so long as no default or event of default, as such terms are defined in the senior subordinated note indenture, shall have occurred and be continuing or would occur as a consequence thereof. The senior subordinated note indenture also permits the senior subordinated note issuers to pay dividends and make other restricted payments, including to the issuers, if certain other conditions are satisfied. Under certain circumstances, the

senior subordinated note issuers are required to make an offer to purchase senior subordinated notes at a price equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase with the proceeds of certain asset sales. The senior subordinated note indenture contains certain customary events of default which will include the failure to pay principal, interest and liquidated damages, the failure to comply with certain covenants under the senior subordinated notes or the senior subordinated note indenture, certain cross-defaults on indebtedness, the failure to pay on final judgement in excess of a threshold amount and events of bankruptcy or insolvency.

Purpose and Effect of the Exchange Offer

The old notes were originally issued on December 3, 1998 to Lehman Brothers Inc. and Barclays Capital Inc. pursuant to a purchase agreement dated December 3, 1998. These initial purchasers subsequently resold the notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The issuers are parties to a Registration Rights Agreement with the initial purchasers entered into as a condition to the closing under the purchase agreement. Pursuant to the Registration Rights Agreement, the issuers agreed, for the benefit of the holders of the old notes, at their cost, to:

- file an exchange offer registration statement on or before March 31, 1999 with the SEC with respect to the exchange offer for the new notes;
- use their best efforts to have the registration statement declared effective under the Securities Act within 90 days after the filing of the registration statement; and
- use their best efforts to issue on or prior to 30 business days after the registration statement is declared effective the new notes in exchange for all old notes duly tendered in the exchange offer.

Upon the registration statement being declared effective, we will offer the new notes in exchange for surrender of the old notes. We will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to the holders of the old notes. For each old note surrendered to us pursuant to the exchange offer, the holder of such old note will receive a new note having a principal amount equal to that of the surrendered old note.

Under existing interpretations of the staff of the SEC contained in several no-action letters to third parties, we believe that the new notes will in general be freely tradeable after the exchange offer without further registration under the Securities Act. However, any purchaser of old notes who is an "affiliate" of the issuers or who intends to participate in the exchange offer for the purpose of distributing the new notes:

- will not be able to rely on these interpretations of the staff of the SEC;
- will not be able to tender its old notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the old notes, unless such sale or transfer is made pursuant to an exemption from such requirements.

As contemplated by these no-action letters and the Registration Rights Agreement, each holder accepting the exchange offer is required to represent to us in the letter of transmittal that:

- the new notes are to be acquired by the holder or the person receiving such new notes, whether or not such person is the holder, in the ordinary course of business;
- the holder or any such other person, other than a broker-dealer referred to in the next sentence, is not engaging and does not intend to engage, in distribution of the new notes;
- the holder or any such other person has no arrangement or understanding with any person to participate in the distribution of the new notes;
- neither the holder nor any such other person is an "affiliate" of the issuers within the meaning of Rule 405 under the Securities Act; and
- the holder or any such other person acknowledges that if such holder or any other person participates in the exchange offer for the purpose of distributing the new notes it must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes and cannot rely on those no-action letters.

As indicated above, each broker-dealer, which we refer to as a Participating Broker-Dealer, that receives new notes for its own account in exchange for old notes must acknowledge that it:

- acquired the new notes for its own account as a result of market-making activities or other trading activities;

- has not entered into any arrangement or understanding with the issuers or any "affiliate" (within the meaning of Rule 405 under the Securities Act) to distribute the new notes to be received in the exchange offer; and

- will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such new notes.

For a description of the procedures for resales by Participating Broker-Dealers, see "Plan of Distribution."

In the event that changes in the law or the applicable interpretations of the staff of the SEC do not permit us to effect such an exchange offer, or if the issuers receive certain notice from any holder of Transfer Restricted Securities (as defined below) that is a qualified institutional buyer or an institutional accredited invested prior to the 20th day following the consummation of the exchange offer, the issuers will use their best efforts to:

- file a shelf registration statement covering the resale of the old notes on or prior to the earlier to occur of:

  (1) the 45th day after the date on which the issuers determine that they are not required to file the registration statement, or

  (2) the 45th day after the date on which the issuers receive the applicable notice from a holder of Transfer Restricted Securities (such earlier date being the "Shelf Filing Deadline");

- cause the Shelf Registration Statement to be declared effective under the Securities Act on or before the 90th day after the Shelf Filing Deadline; and

- keep the Shelf Registration Statement continuously effective.

"Transfer Restricted Securities" means each old note until:

- the date on which such old note has been exchanged by a person other than a broker-dealer for a new note in the exchange offer,

- following the exchange by a broker-dealer in the exchange offer of an old note for a new note, the date on which such new note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the registration statement,

- the date on which such old note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or

- the date on which such old note is distributed to the public pursuant to Rule 144 under the Act.

The issuers will, in the event of the filing of the Shelf Registration Statement, provide to each applicable holder of the old notes copies of the prospectus, which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective, and take certain other actions as are required to permit unrestricted resale of the old notes. A holder of the old notes that sells such old notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales, and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder, including certain indemnification obligations.

Holders of old notes will be required to make certain representations to the issuers to participate in the exchange offer and holders of old notes will be required to deliver information to be used in connection with

the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement to have their old notes included in the Shelf Registration Statement and benefit from the provisions regarding liquidated damages set forth below. Such required representations and information are described in the Registration Rights Agreement.

The Registration Rights Agreement provides that:

- the issuers will file the registration statement with the SEC on or prior to March 31, 1999;
- the issuers will use their best efforts to have the registration statement declared effective by the SEC on or prior to 90 days after the date of the original filing of the registration statement;
- unless the exchange offer would not be permitted by applicable law or SEC policy, the issuers will offer and use their best efforts to issue on or prior to 30 business days after the registration statement is declared effective, new notes in exchange for all old notes tendered prior thereto in the exchange offer; and
- if obligated to file the Shelf Registration Statement, the issues will file the Shelf Registration Statement with the SEC on or prior to 45 days after such filing obligation arises and to cause the Shelf Registration Statement to be declared effective by the SEC on or prior to 90 days thereafter.

If:

(a) the issuers fail to file any of the registration statements required by the Registration Rights Agreement on or before the date specified for such filing;

(b) any of such registration statements is not declared effective by the SEC on or prior to the date specified for such effectiveness;

(c) the issuers fail to consummate the exchange offer within 30 business days after the registration statement has been declared effective; or

(d) the Shelf Registration Statement or the registration statement is filed and declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the period specified in the Registration Rights Agreement (each such event referred to in clauses (a) through (d) above a "registration default"),

the issuers will pay liquidated damages to holders of the old notes as follows: $.05 per week per $1,000 principal amount of old notes for the first 90-day period following a registration default and an additional $.05 per week per $1,000 principal amount at maturity of old notes for each subsequent 90-day period until all registration defaults have been cured, up to a maximum amount of liquidated damages for all registration defaults of $.50 per week per $1,000 principal amount at maturity of old notes.

All accrued liquidated damages will be payable to holders of the old notes in cash on semi-annual payment dates that correspond to the accretion dates (or, on or after December 1, 2003, the semi-annual interest payment date), commencing with the first such date occurring after any such additional interest commences to accrue, until such registration default is cured.

The summary herein of certain provisions of the Registration Rights Agreement is subject to, and is qualified in its entirety by, all the provisions of the Registration Rights Agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part.

Following the consummation of the exchange offer, holders of the old notes who were eligible to participate in the exchange offer but who did not tender their old notes will not have any further registration rights and such old notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for such old notes could be adversely affected.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all old notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on , 1999, or such later date and time as to which the exchange offer has been extended. We will issue $1,000 principal amount of new notes in exchange for each $1,000 principal amount at maturity of outstanding old notes accepted in the exchange offer. Holders may tender some or all of their old notes pursuant to the exchange offer. However, old notes may be tendered only in integral multiples of $1,000.

The form and terms of the new notes are substantially the same as the form and terms of the old notes except that:

- the new notes bear a new note designation and a different CUSIP number from the old notes;
- the new notes have been registered under the federal securities laws and hence will not bear legends restricting the transfer thereof as the old notes do; and
- the holders of the new notes will generally not be entitled to rights under the Registration Rights Agreement, which rights generally will be satisfied when the exchange offer is consummated.

The new notes will evidence the same debt as the tendered old notes and will be entitled to the benefits of the indenture under which the old notes were issued. As of the date of this prospectus, $196,000,000 aggregate principal amount at maturity of old notes were outstanding.

Holders of old notes do not have any appraisal or dissenters' rights under the General Corporation Law of Delaware, the Delaware Limited Liability Company Act or the indentures relating to such notes in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Securities Exchange Act of 1934, and the rules and regulations of the SEC thereunder.

We shall be deemed to have accepted validly tendered old notes when, as and if we have given oral or written notice thereof, such notice if given orally, to be confirmed in writing, to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the new notes from our company.

If any tendered old notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, the certificates for any such unaccepted old notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the expiration date.

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes pursuant to the exchange offer. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the exchange offer. For additional information, please refer to the "--Fees and Expenses" section of this prospectus.

Expiration Date; Extensions; Amendments

The expiration date is 5:00 p.m., New York City time, on , 1999, unless we extend the exchange offer, in which case the expiration date will be the latest date and time to which the exchange offer is extended.

In order to extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice, such notice if given orally, to be confirmed in writing, and will issue a press release or other public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right:

- to delay accepting any old notes, to extend the exchange offer or to terminate the exchange offer if any of the conditions set forth below under "conditions" shall not have been satisfied, by giving oral or written notice, such notice if given orally, to be confirmed in writing, of such delay, extension or termination to the exchange agent, or

- to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered holders.

Yield and Interest on the New Notes

Before December 1, 2003, there will be no current payments of cash interest on the new notes. The new notes and the old notes not exchanged for new notes will accrete in value at a rate of 11 7/8% per annum, compounded semi-annually, to an aggregate principal amount of $196,000,000 on December 1, 2003. Holders of old notes that are accepted for exchange will receive new notes with a principal amount equal to the accreted value of the old notes on the date of issuance of the new notes. Old notes accepted for exchange will cease to accrete in value upon issuance of the new notes.

On December 1, 2003, the issuers will be required to redeem an amount equal to $369.70 per $1,000 principal amount at maturity of each new note and each old note not exchanged for a new note then outstanding, on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the notes so redeemed. Thereafter, cash interest will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing June 1, 2004.

Procedures for Tendering

Only a registered holder of old notes may tender such notes in the exchange offer. To tender in the exchange offer, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the letter of transmittal and mail or otherwise deliver such letter of transmittal or such facsimile, together with the old notes and any other required documents, or cause The Depository Trust Company to transmit an agent's message as described below in connection with a book-entry transfer, to the exchange agent prior to the expiration date. To be tendered effectively, the old notes, the letter of transmittal or agent's message and other required documents must be completed and received by the exchange agent at the address set forth below under "--Exchange Agent" prior to the expiration date. Delivery of the old notes may be made by book entry transfer in accordance with the procedures described below. Confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date.

The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent forming a part of a confirmation of a book-entry, which states that such book-entry transfer facility has received an express acknowledgment from the participant in such book-entry transfer facility tendering the old notes that such participant has received and agrees:

- to participate in the Automated Tender Option Program;

- to be bound by the terms of the letter of transmittal; and

- that we may enforce such agreement against such participant.

By executing the letter of transmittal or agent's message, each holder will make to us the representations set forth above in the fourth paragraph under the heading "--Purpose and Effect of the Exchange Offer."

The tender by a holder and the acceptance thereof by us will constitute agreement between such holder and the company in accordance with the terms and subject to the conditions set forth herein and in the letter of transmittal or agent's message.

The method of delivery of old notes and the letter of transmittal or agent's message and all other required documents to the exchange agent is at the election and sole risk of the holder. As an alternative to delivery by mail, holders may wish to consider overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or old notes should be sent to any of the issuers or any of their affiliates. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for such holders.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. For additional information, please refer to the "Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner" included with the letter of transmittal.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an eligible institution (as defined below) unless the old notes tendered pursuant thereto are tendered by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal, or for the account of an eligible institution. In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a member firm of the Medallion System (an "eligible institution").

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed therein, such notes must be endorsed or accompanied by a properly completed bond power, signed by such registered holder as such registered holder's name appears on such notes with the signature thereon guaranteed by an eligible institution.

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

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the old notes at the book-entry transfer facility, The Depository Trust Company (the "book-entry transfer facility"), for the purpose of facilitating the exchange offer, and subject to the establishment thereof, any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of old notes by causing such book-entry transfer facility to transfer such old notes into the exchange agent's account with respect to the old notes in accordance with the book-entry transfer facility's procedures for such transfer. Although delivery of the old notes may be effected through book-entry transfer into the exchange agent's account at the book-entry transfer facility, unless an agent's message is transmitted to and received by the exchange agent in compliance with Automated Tender Option Program on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures, the tender of such notes will not be valid. Delivery of documents to the book-entry transfer facility does not constitute delivery to the exchange agent.

All questions as to the validity, form, eligibility, including time of receipt, acceptance of tendered Old Notes and withdrawal of tendered old notes will be determined by the Issuers, in their sole discretion, which determination will be final and binding. The issuers reserve the absolute right to reject any and all old notes not properly tendered or any old notes our acceptance of which would, in the opinion of the Issuers' counsel, be unlawful. The issuers also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. The issuers may not waive any condition to the exchange offer unless such condition is legally waiveable. In the event such a waiver by the issuers gives rise to the legal requirement to do so, the issuers will hold the exchange offer open for at least five business days thereafter. The issuers' interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be

final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as the issuers shall determine. Although the issuers intend to notify holders of defects or irregularities with respect to tenders of old notes, neither the issuers, the exchange agent nor any other person shall incur any liability for failure to give such notification. Tender of old notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

Guaranteed Delivery Procedures

Holders who wish to tender their old notes and whose old notes are not immediately available, who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent, or who cannot complete the procedures for book-entry transfer, prior to the expiration date, may effect a tender if:

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

(b) prior to the expiration date, the exchange agent receives by facsimile transmission, mail or hand delivery from such eligible institution a properly completed and duly executed notice of guaranteed delivery, setting forth the name and address of the holder, the certificate number(s) of such old notes and the principal amount of old notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal, or facsimile thereof, or, in the case of a book-entry transfer, an agent's message, together with the certificate(s) representing the old notes, or a confirmation of book-entry transfer of such notes into the exchange agent's account at the Book-Entry Transfer Facility, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

(c) the certificate(s) representing all tendered old notes in proper form for transfer, or a confirmation of a book-entry transfer of such old notes into the exchange agent's account at the book entry transfer facility, together with a letter of transmittal, of facsimile thereof, properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message, are received by the exchange agent within three New York Stock Exchange trading days after the expiration date of the exchange offer.

Withdrawal of Tenders

Except as otherwise provided herein, tenders of old notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer.

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

- specify the name of the person having deposited notes to be withdrawn;
- identify the notes to be withdrawn, including the certificate number(s) and principal amount of such notes, or, in the case of old notes transferred by book-entry transfer, the name and number of the account at the book entry transfer facility to be credited;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which such notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the old notes register the transfer of such notes into the name of the person withdrawing the tender; and
- specify the name in which any such old notes are to be registered, if different from that of the person having deposited the notes.

All questions as to the validity, form and eligibility, including time of receipt, of such notices will be determined by us and shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect

thereto unless the old notes so withdrawn are validly retendered. Any old notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described above under "--Procedures for Tendering" at any time prior to the expiration date.

Conditions

Notwithstanding any other term of the exchange offer, the issuers shall not be required to accept for exchange, or exchange notes for, any old notes, and may terminate or amend the exchange offer as provided herein before the acceptance of such old notes, if:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in the issuers' sole judgment, might materially impair the issuers' ability to proceed with the exchange offer, or any material adverse development has occurred in any existing action or proceeding with respect to the issuers or any of their subsidiaries; or

- any law, statute, rule, regulation or interpretation by the staff of the SEC is proposed, adopted or enacted, which, in the issuers' sole judgment, might materially impair the issuers' ability to proceed with the exchange offer or materially impair the contemplated benefits of the exchange offer; or

- any governmental approval has not been obtained, which approval the issuers shall, in their sole discretion, deem necessary for the consummation of the exchange offer as contemplated hereby.

If the issuers determine, in their sole discretion, that any of the conditions are not satisfied, the issuers may:

- refuse to accept any old notes and return all tendered old notes to the tendering holders;

- extend the exchange offer and retain all old notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw such old notes as described in "--Withdrawal of Tenders" above;

- waive such unsatisfied conditions with respect to the exchange offer and accept all properly tendered old notes which have not been withdrawn.

Exchange Agent

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

By Registered or Certified Mail
or Overnight Courier:

The Bank of New York

101 Barclay Street

Floor 21 West

New York, New York 10286

Attn: Corporate Trust Trustee Administration

By Facsimile:
(For Eligible Institutions Only)
( ) -

Confirm by Telephone:
( ) -
[ ]

Delivery to an address other than set forth above will not constitute a valid delivery.

Fees and Expenses

The expenses of soliciting tenders will be borne by the issuers. The principal solicitation is being made by mail however, additional solicitation may be made by telegraph, telecopy, telephone or in person by officers and regular employees of the issuers and their affiliates.

The issuers have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers, or others soliciting acceptances of the exchange offer. The issuers, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

The issuers will pay the cash expenses to be incurred in connection with the exchange offer. Such expenses include fees and expenses of the exchange agent and trustee, accounting and legal fees and printing costs, among others.

Accounting Treatment

The new notes will be recorded at the same carrying value as the old notes, which is face value, as reflected in the issuers' accounting records on the date of exchange. Accordingly, the issuers will recognize no gain or loss for accounting purposes. The expenses of the exchange offer will be expensed over the term of the new notes.

Consequences of Failure to Exchange

The old notes that are not exchanged for new notes pursuant to the exchange offer will remain restricted securities. Accordingly, such old notes may be resold only:

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

Resale of the New Notes

With respect to resales of new notes, based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that a holder or other person who receives new notes, whether or not such person is the holder, other than a person that is an "affiliate" of the issuers within the meaning of Rule 405 under the Securities Act, in exchange for old notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the new notes, will be allowed to resell the new notes to the public without further registration under the Securities Act and without delivering to the purchasers of the new notes a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder acquires new notes in the exchange offer for the purpose of distributing or participating in a distribution of the new notes, such holder cannot rely on the position of the staff of the SEC enunciated in such no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of

the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available. Further, each Participating Broker-Dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes.

As contemplated by these no-action letters and the Registration Rights Agreement, each holder accepting the exchange offer is required to represent to the issuers in the letter of transmittal that:

- the new notes are to be acquired by the holder or the person receiving such new notes, whether or not such person is the holder, in the ordinary course of business;
- the holder or any such other person, other than a broker-dealer referred to in the next sentence, is not engaging and does not intend to engage, in the distribution of the new notes;
- the holder or any such other person has no arrangement or understanding with any person to participate in the distribution of the new notes;
- neither the holder nor any such other person is an "affiliate" of the company within the meaning of Rule 405 under the Securities Act; and
- the holder or any such other person acknowledges that if such holder or other person participates in the exchange offer for the purpose of distributing the new notes it must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes and cannot rely on those no-action letters.

As indicated above, each Participating Broker-Dealer that receives new notes for its own account in exchange for old notes must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. For a description of the procedures for such resales by Participating Broker-Dealers, see "Plan of Distribution."

DESCRIPTION OF THE NOTES

General

The old notes were originally issued pursuant to an indenture by and among Avalon Cable of Michigan Holdings, Inc., which is referred to as "Michigan Holdings", Avalon Cable LLC, which is referred to as "Avalon Holdings", and Avalon Cable Holdings Finance, Inc., which is referred to as "Finance Holdings", as joint and several obligors, and The Bank of New York, as trustee, in a private transaction that is not subject to the registration requirements of the Securities Act. See "Notice to Investors." In the reorganization, Michigan Holdings ceased to be an obligor under the old notes, and became a guarantor, together with Avalon Cable of Michigan, Inc., which is referred to as "Avalon Michigan", of Avalon Holdings' obligations under the New Notes and the Indenture. Michigan Holdings and Avalon Michigan do not have significant assets or liabilities, other than their equity interests in Avalon Michigan and Avalon Holdings, respectively. See "The Company--Corporate Structure." Thus, currently, the "Issuers" under the Indenture are Avalon Holdings and Finance Holdings. The form and terms of the new notes are the same as the form and terms of the old notes, which they replace, except that the holders of the new notes will not be entitled to certain rights under the Registration Rights Agreement, including the provisions providing for liquidated damages on the old notes in certain circumstances relating to the timing of the exchange offer, which rights will terminate when the exchange offer is consummated.

The terms of the new notes and the old notes, collectively, referred to as the "Notes", include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. The new notes are subject to all such terms, and holders of new notes are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of the material provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. Copies of the Indenture and Registration Rights Agreement are available as set forth below under "Available Information." The definitions of certain terms used in the following summary are set forth below under "Certain Definitions." For purposes of this summary, references to the "Issuers" do not include their respective Subsidiaries.

The new notes, like the old notes, will be general unsecured obligations of the Issuers and will rank pari passu in right of payment with all current and future senior Indebtedness of the Issuers. However, the operations of the Issuers are conducted through their Subsidiaries and, therefore, the Issuers are dependent upon the cash flow of their Subsidiaries to meet their obligations, including their obligations under the new notes. The Issuers' Subsidiaries will not be guarantors of the new notes. As a result, the new notes will be effectively subordinated to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuers' Subsidiaries. Any right of the Issuers to receive assets of any of their Subsidiaries upon the latter's liquidation or reorganization (and the consequent right of the Holders of the new notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuers are themselves recognized as creditors of such Subsidiary, in which case the claims of the Issuers would still be subordinate to any security in the assets of such Subsidiary and any Indebtedness of such Subsidiary senior to that held by the Issuers. As of December 31, 1998, on a pro forma basis after giving effect to all completed and pending acquisitions and the Reorganization: (a) the Issuers would have on a combined basis no Indebtedness other than Indebtedness represented by the old notes and Indebtedness of their subsidiaries (some of which is guaranteed by the Issuers) and (b) the Issuers' Subsidiaries would have had on a combined basis approximately $330.2 million of Indebtedness, including borrowings under the credit facility, and $17.0 million of trade payables and other liabilities outstanding and approximately $30.0 million of undrawn availability under the credit facility. The Indenture permits the Issuers and their Restricted Subsidiaries to incur additional Indebtedness, including secured Indebtedness, subject to certain limitations.

All of the Issuers' Subsidiaries are currently Restricted Subsidiaries. Under certain circumstances, the Issuers will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Principal, Maturity and Interest

The Notes are limited in aggregate principal amount at issuance to $160.4 million, of which $110.4 million were issued in the initial offering, and will mature on December 1, 2008. The Old Notes were issued at a substantial discount from their principal amount at maturity of $196.0 million, to generate gross proceeds of approximately $110.4 million. Until December 1, 2003, interest will not be paid currently on the Notes, but the Accreted Value 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 Notes on December 1, 2003 (the "Full Accretion Date"). Beginning on the Full Accretion Date, interest on the Notes will accrue at the rate of 11.875% per annum and will be payable semi-annually in arrears on June 1 and December 1 of each year, to Holders of record on the immediately preceding May 15 and November 15. Additional Notes may be issued from time to time, subject to the provisions of the Indenture described below under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock." The Old Notes, the Notes offered hereby and any additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Full Accretion Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal, premium, if any, and interest and Liquidated Damages thereon, if any, on the Notes will be payable at the office or agency of the Issuers maintained for such purpose within the City and State of New York or, at the option of the Issuers, payment of interest may be made by check mailed to the Holders of the Notes at their respective addresses set forth in the register of Holders of Notes; provided that all payments of principal, premium, if any, interest and Liquidated Damages, if any, with respect to Notes for which Holders have given wire transfer instructions to the Issuers at least 10 business days prior to the applicable interest payment date will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Until otherwise designated by the Issuers, the Issuers' office or agency in New York will be the office of the Trustee maintained for such purpose. The Notes will be issued in denominations of $1,000 and integral multiples thereof.

Parent Guarantees

The payment obligations of Avalon Holdings under the Notes is jointly and severally guaranteed (the "Parent Guarantees") by the Parent Guarantors. The Parent Guarantees were issued in connection with the Reorganization to avoid certain adverse tax consequences in respect of the Reorganization. Neither Parent Guarantor has any significant business operations or assets, other than, with respect to Avalon Michigan, its equity interest in Avalon Holdings, and, with respect to Michigan Holdings, its equity interest in Avalon Michigan, and neither Parent Guarantor has any revenues. As a result, prospective purchasers of the Notes should not expect the Parent Guarantors to participate in servicing the interest, principal obligations and Liquidated Damages, if any, on the Notes. The obligations of each Parent Guarantor under its Parent Guarantee will be limited so as not to constitute a fraudulent conveyance under applicable law. See the "Risk Factors" section of this prospectus.

Maximum Amount of Obligations

The obligations of each Issuer and each Parent Guarantor (under the Parent Guarantee) are limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Issuer or such Parent Guarantor, as the case may be (including, without limitation, any obligations under any senior
Indebtedness) and after giving effect to any collections from or payments made by or on behalf of any other Issuer or Parent Guarantor, as the case may be, in respect of the obligations of such other Issuer or other Parent Guarantor, as the case may be, under its obligations under the Indenture, result in the obligations of such Issuer or such Parent Guarantor, as the case may be, under its obligations under the Indenture not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. See the "Risk Factors" section of this prospectus.

Mandatory Payment of Accrued Interest

Prior to December 1, 2003, interest on the 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 will be required to redeem an amount equal to $369.79 per $1,000 principal amount at maturity of each Note then outstanding (the "Accreted Interest Redemption Amount") ($72,479,000 in aggregate principal amount at maturity of the Notes, assuming all of the Old Notes are exchanged in this exchange offer and all New Notes remain outstanding on such date) on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Notes so redeemed. The Accreted Interest Redemption Amount represents (i) the excess of the aggregate accreted principal amount of all 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 Notes at a rate per annum equal to the stated interest rate on the Notes.

Optional Redemption

Except as described below, the Notes are not redeemable at the Issuers' option prior to December 1, 2003. Thereafter, the Notes are subject to redemption at any time at the option of the Issuers, in whole or in part, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, 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 prior to December 1, 2001, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of Notes originally issued under the 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 Notes originally issued remain outstanding immediately after each occurrence of such redemption; and provided, further, that each such redemption shall occur within 45 days of the date of the closing of such Equity Offering and/or Strategic Equity Investment.

As used in the preceding paragraph, "Equity Offering" means any public or private sale of Capital Stock of any of the Issuers or Avalon or any Subsidiary of Avalon pursuant to which the Issuers together receive net proceeds of at least $25.0 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 Avalon or any Subsidiary of Avalon, the Net Cash Proceeds thereof shall have been contributed to one or more of the Issuers in the form of an equity contribution.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not so listed, on a pro rata basis, by lot or by any other customary method; provided that no Notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion

thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Mandatory Redemption

Except as set forth below under "Repurchase at the Option of Holders," the Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to a Change of Control Offer (as defined below) 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 (or, in the case of repurchases of Notes prior to the Full Accretion Date, at a purchase price equal to 101% of the Accreted Value thereof as of the date of purchase) (collectively, the "Change of Control Payment"). Within 20 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offer (a "Change of Control Offer") to repurchase Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control.

On the Change of Control Payment Date, the Issuers will, to the extent lawful:

- accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer,
- deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and
- deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount at maturity of Notes or portions thereof being purchased by the Issuers.

The Paying Agent will promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Indenture provides that, prior to complying with the provisions of this covenant, but in any event within 90 days following a Change of Control, the Issuers will either repay all outstanding senior Indebtedness or obtain the requisite consents, if any, under all agreements governing outstanding senior Indebtedness to permit the repurchase of Notes required by this covenant. The Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Credit Facility and the indenture governing the Senior Subordinated Notes limit the ability of the Issuers to purchase any Notes and provides that certain change of control events with respect to the Issuers, the Company Issuers or Avalon would constitute a default thereunder. Any future credit agreements or other agreements relating to Indebtedness to which the Issuers or the Company Issuers become a party may contain similar restrictions and provisions. In the event a Change of Control occurs at a time when the Issuers are

prohibited from purchasing Notes, the Issuers could seek the consent of its lenders or lenders of the Company Issuers to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuers or the Company Issuers do not obtain such a consent or repay such borrowings, the Issuers will remain prohibited from purchasing the Notes and the Senior Subordinated Notes. In such case, the Issuers' failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under the Credit Facility.

The meaning of the phrase "all or substantially all" as used in the Indenture in the definition of "Change of Control" with respect to a sale of assets varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuers, and therefore it may be unclear whether a Change of Control has occurred and whether the Notes are subject to a Change of Control Offer.

Restrictions in the Indenture on the ability of the Issuers and their Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on their property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of the Issuers, whether favored or opposed by the management of the Issuers. Consummation of any such transaction in certain circumstances may require redemption or repurchase of the Notes, and there can be no assurance that the Issuers or the acquiring party will have sufficient financial resources to effect such redemption or repurchase. Such restrictions and the restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Issuers or any of their Subsidiaries by the management of the Issuers or other persons. While such restrictions cover a wide variety of arrangements which have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the holders of the Notes protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction.

The Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Issuers repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Asset Sales

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) such Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of its Board of Directors, whose determination shall be conclusive, set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and

(ii) at least 75% of the consideration therefor received by such Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided that the amount of

(x) any liabilities (as shown on such Issuer's or such Restricted Subsidiary's most recent balance sheet), of such Issuer or any of its Restricted Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets and

(y) any securities, notes or

other obligations received by such Issuer or any such Restricted Subsidiary from such transferee that are promptly converted by such Issuer or such Restricted Subsidiary into cash (to the extent of the cash received), shall be deemed to be cash for purposes of the foregoing and the next paragraph.

Notwithstanding the immediately preceding paragraph, the Issuers and their Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with the prior paragraph if:

- such Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or other property sold, issued or otherwise disposed of (as evidenced by a resolution of its Board of Directors, which shall be conclusive, set forth in an Officers' Certificate delivered to the Trustee) and

- at least 75% of the consideration for such Asset Sale constitutes a controlling interest in a Permitted Business, assets used or useful in a Permitted Business and/or cash or Cash Equivalents;

provided that any cash (other than any amount deemed cash under clause (ii) (x) of the preceding paragraph) or Cash Equivalents received by such Issuer or such Restricted Subsidiary in connection with any Asset Sale permitted to be consummated under this paragraph shall constitute Net Cash Proceeds subject to the provisions of the next paragraph.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer or such Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds, at its option, (a) to repay Indebtedness of the Company Issuers (and to correspondingly permanently reduce the commitments with respect thereto under the Credit Facility) or (b) to the acquisition of a controlling interest in a Permitted Business, the making of a capital expenditure or the acquisition of assets used or useful in a Permitted Business. Pending the final application of any such Net Cash Proceeds, the Issuers or such Restricted Subsidiary, as the case may be, may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Indenture. Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph within the applicable period shall be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers shall be required, to the extent permitted by the Senior Subordinated Note Indenture, to make an offer to all Holders of Notes and all holders of other pari passu Indebtedness of the Issuers containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") to purchase the maximum principal amount of Notes and such other pari passu Indebtedness of the Issuers that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of repurchase (or, in the case of repurchases of Notes prior to the Full Accretion Date, at a purchase price equal to 100% of the Accreted Value thereof as of the date of repurchase), in accordance with the procedures set forth in the Indenture and such other Indebtedness. To the extent that any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuers may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture (including as provided in the next paragraph). If the aggregate principal amount at maturity or Accreted Value (as applicable) of Notes and such other Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other Indebtedness to be purchased on a pro rata basis, by lot or by any other customary method; provided that no Notes of $1,000 or less shall be redeemed in part. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

If any of the Issuers is, or may be, required to make an Asset Sale Offer, the Company Issuers may be required to make a similar offer to purchase the Senior Subordinated Notes (and pari passu Indebtedness) from the holders thereof. In such event, the Issuers and the Company Issuers may make simultaneous similar offers to purchase the Notes (and any pari passu Indebtedness containing similar provisions) and the Senior Subordinated Notes (and pari passu Indebtedness), respectively. If such simultaneous offers are made, the Excess Proceeds shall first be utilized to redeem any Senior Subordinated Notes (and pari passu Indebtedness) tendered pursuant to such offer by the Company Issuers. To the extent that any Excess Proceeds are remaining after such offer by the Company Issuers, such remaining Excess Proceeds shall be utilized to redeem a pro rata portion of the Notes and any pari passu Indebtedness containing similar provisions.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to an Asset Sale Offer.

Certain Covenants

Restricted Payments

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly:

- declare or pay any dividend or make any other payment or distribution on account of the Issuers' or any of their Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving any Issuer) or to the direct or indirect holders of the Issuers' or any of their Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of any Issuer and other than dividends or distributions payable to any Issuer or another Restricted Subsidiary and if such Restricted Subsidiary has equity holders other than any of the Issuers or other Restricted Subsidiaries, to its other equity holders on a pro rata basis);

- purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving any Issuer) any Equity Interests of any Issuer or any direct or indirect parent of any Issuer or other Affiliate of any Issuer;

- make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of any Issuer that is subordinated to the Notes, except a payment of interest or principal at Stated Maturity, or a payment of interest made through the issuance of additional Indebtedness of the same kind as the Indebtedness on which such interest shall have accrued or payment on Indebtedness owed to another Issuer and except any payment in respect of the ABRY Subordinated Debt; or

- make any Restricted Investment (all such payments and other actions set forth in the clauses above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

  (a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

  (b) the Issuers would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable quarter, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described below under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuers and their Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (7), (8), (9), (10), (11), (12) and (13) of the next succeeding paragraph), is less than the sum of:

- 100% of the aggregate Consolidated Cash Flow of the Issuers (or, in the event such Consolidated Cash Flow shall be a deficit, minus 100% of such deficit) accrued for the period beginning on the first day of the Issuers' first fiscal quarter commencing after the Issue Date and ending on the last day of the Issuers' most recent calendar month for which financial information is available to the Issuers ending prior to the date of such proposed Restricted Payment, taken as one accounting period, less

- 1.4 times Consolidated Interest Expense for the same period, plus

- 100% of the aggregate Net Cash Proceeds received by the Issuers as a contribution to the equity capital of the Issuers or from the issue or sale since the Issue Date of Equity Interests of the

Issuers (other than Disqualified Stock), or of Disqualified Stock or debt securities (including the ABRY Subordinated Debt) of the Issuers that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Restricted Subsidiary of the Issuers and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus

- to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the amount of such Net Cash Proceeds plus

- to the extent that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary after the Issue Date, the fair market value of the Investment of the applicable Issuer or Restricted Subsidiary of such Issuer in such Subsidiary as of the date of such redesignation.

The foregoing provisions shall not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any Indebtedness of any of the Issuers which is subordinated to the Notes or Equity Interests of any of the Issuers in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of any of the Issuers) of, other Equity Interests of any of the Issuers (other than any Disqualified Stock) or capital contributions to any of the Issuers; provided that the amount of any such Net Cash Proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c) (2) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of Indebtedness of any of the Issuers which is subordinated to the Notes with the Net Cash Proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend or distribution by a Restricted Subsidiary of any of the Issuers to the holders of its common Equity Interests so long as the applicable Issuer or such Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of any of the Issuers or the payment of a dividend to any Affiliates of the Issuers to effect the repurchase, redemption, acquisition or retirement of an Affiliate's equity interest, that are held by any member of any of the Issuers' (or any of their respective Restricted Subsidiaries) management pursuant to any management equity subscription or purchase agreement or stock option agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $2 million in any fiscal year;

(6) from and after the time that the aggregate Consolidated Cash Flow of the Issuers (calculated on a pro forma basis as described in the definition of "Leverage Ratio") for any full fiscal quarter multiplied by four exceeds $60 million, payments or distributions to any Affiliate of the Issuers to permit such Affiliate to pay for the performance of management functions by an Affiliate of the Issuers in an aggregate amount not to exceed the greater of (A) $250,000 in any fiscal year and (B) 0.25% of Total Revenues for such year;

(7) any payments or distributions or other transactions to be made in connection with the Merger, the Mercom Acquisition or the Reorganization (including fees and expenses incurred in connection therewith);

(8) payments to Affiliates of the Issuers and holders of Equity Interests in the Issuers in amounts equal to the amounts required to pay any Federal, state or local income taxes to the extent that:

(A) such income taxes are attributable to the income of the Issuers and their Restricted Subsidiaries (but limited, in the case of taxes based upon taxable income, to the extent that cumulative taxable net income subsequent to the Issue Date is positive) and

(B) such taxes are related to Indebtedness between or among any of the Issuers and any of their Restricted Subsidiaries or Avalon or any of its Restricted Subsidiaries;

(9) Restricted Investments received in connection with an Asset Sale that complies with the covenant described under "--Asset Sales");

(10) payments on the ABRY Subordinated Debt (including all accrued interest thereon) in accordance with the terms thereof;

(11) payments or distributions to dissenting stockholders pursuant to transactions permitted under the terms of the Indenture;

(12) the distribution by Avalon Holdings to the holders of its Capital Stock of all the Equity Interests held by Avalon Holdings in any of its Subsidiaries; provided that, substantially simultaneously with such distribution, such Equity Interests, and/or option to purchase all such Equity Interests, are sold to a third party for consideration in an amount at least equal to the fair market value of such Equity Interests and Avalon Holdings receives an amount equal to the Net Cash Proceeds of such sale and any other consideration received in connection therewith; and

(13) other Restricted Payments in an aggregate amount not to exceed $5.0 million;

provided, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (5), (6), (10) and (13) above, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the applicable Issuer or the Restricted Subsidiary of such Issuer, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors of such Issuer or Restricted Subsidiary, as the case may be, whose resolution with respect thereto shall be delivered to the Trustee, such determination shall be conclusive and shall be based upon an opinion or appraisal issued by an appraisal, accounting or investment banking firm of national standing if such fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, such Issuer or Restricted Subsidiary, as the case may be, shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "--Restricted Payments" were computed, together with a copy of any opinion or appraisal required by the Indenture.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) other than Permitted Debt and the Issuers will not issue any Disqualified Stock and will not permit any of their Restricted Subsidiaries to issue any shares of preferred stock (other than to an Issuer or another Restricted Subsidiary); provided, however, that the Issuers may incur Indebtedness (including Acquired Debt) or issue shares of Disqualified Stock and any of the Issuers' Restricted Subsidiaries may incur Indebtedness or issue shares of preferred stock if the Issuers' Leverage Ratio at the time of incurrence of such Indebtedness or the issuance of such Disqualified Stock or such preferred stock, as the case may be, after giving pro forma effect to such incurrence or issuance and to the use of the proceeds therefrom would have been no greater than (a) 7.0 to 1,

if such incurrence or issuance is on or prior to December 31, 2000, and (b) 6.5 to 1, if such incurrence or issuance is after December 31, 2000.

The Indenture will also provide that the Issuers will not incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Issuers unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms; provided, however, that no Indebtedness of the Issuers shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuers solely by virtue of being unsecured.

The provisions of the first paragraph of this covenant shall not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by the Issuers or their Restricted Subsidiaries of Indebtedness under the Credit Facility letters of credit (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuers and their Restricted Subsidiaries thereunder) and related Guarantees under the Credit Facility; provided that the aggregate principal amount of all Indebtedness of the Issuers and their Restricted Subsidiaries outstanding under the Credit Facility after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (1) does not exceed an amount equal to $345,888,000 less the aggregate amount applied by the Issuers and their Restricted Subsidiaries to permanently reduce the availability of Indebtedness under the Credit Facility pursuant to the provisions described under the caption "--Certain Covenants--Asset Sales";

(2) the incurrence by the Issuers of the ABRY Subordinated Debt;

(3) the incurrence by the Issuers and their Restricted Subsidiaries of Existing Indebtedness;

(4) the incurrence by the Issuers of the Existing Michigan Indebtedness and the Mercom Intercompany Loan;

(5) the incurrence by the Issuers of Indebtedness represented by the Notes and the incurrence by the Company Issuers of Indebtedness represented by the Senior Subordinated Notes in an aggregate principal amount of $150 million outstanding on the date of the Indenture;

(6) the incurrence by the Issuers or any of their Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Issuers or such Restricted Subsidiary, in an aggregate principal amount, including all Indebtedness incurred to refund, refinance or replace Indebtedness incurred pursuant to this clause (6), not to exceed $10.0 million at any time outstanding;

(7) the incurrence by the Issuers or any of their Restricted Subsidiaries of Permitted Refinancing Indebtedness;

(8) the incurrence by the Issuers or any of their Restricted Subsidiaries of intercompany Indebtedness between or among any of the Issuers and any of their Restricted Subsidiaries; provided, however, that (1) if one of the Issuers is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes and the Indenture, and (2)(A) any subsequent event or issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than one of the Issuers or a Restricted Subsidiary thereof and (B) any sale or other transfer of any such Indebtedness to a Person that is not any one of the Issuers or a Restricted Subsidiary thereof shall be deemed, in each case, to constitute an incurrence of such Indebtedness by such Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (8);

(9) the incurrence by the Issuers or any of their Restricted Subsidiaries of Hedging Obligations that are incurred in the ordinary course of business for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms

of the Indenture to be outstanding) in connection with the conduct of their respective businesses and not for speculative purposes;

(10) the guarantee by the Issuers of Indebtedness of any of their Restricted Subsidiaries so long as the incurrence of such Indebtedness by such Restricted Subsidiary is permitted to be incurred by another provision of this covenant "--Incurrence of Indebtedness and Issuance of Preferred Stock";

(11) the guarantee by any Restricted Subsidiary of Indebtedness of any of the Issuers so long as such guarantee by such Restricted Subsidiary complies with the provisions under the covenant "--Guarantees by Restricted Subsidiaries";

(12) Indebtedness consisting of customary indemnification, adjustments of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition of any business or assets; and

(13) the incurrence by the Issuers or any of their Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (13), not to exceed $15.0 million.

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (13) above as of the date of incurrence thereof or is entitled to be incurred pursuant to the first paragraph of this covenant as of the date of incurrence thereof, the Issuers shall, in their sole discretion, classify or reclassify such item of Indebtedness in any manner that complies with this covenant. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed an issuance of Disqualified Stock.

Liens

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (other than Permitted Liens) of any kind securing Indebtedness, Attributable Debt, or trade payables upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien; provided that, with respect to any Indebtedness which by its terms is Subordinate to the Notes, any Lien securing such Indebtedness shall be subordinate to the Liens securing the Notes and all payments due under the Indenture and the Notes.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1)(x) pay dividends or make any other distributions to the Issuers or any of their Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (y) pay any Indebtedness owed to the Issuers or any of their Restricted Subsidiaries,

(2) make loans or advances to the Issuers or any of their Restricted Subsidiaries or

(3) transfer any of its properties or assets to the Issuers or any of their Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of:

- Existing Indebtedness as in effect on the Issue Date,

- the Credit Facility as in effect on the date of the Indenture and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive with respect to such dividends and other payments restrictions than those contained in the Credit Facility as in effect on the date of the Indenture;

- the terms of any Indebtedness permitted by the Indenture to be incurred by any Restricted Subsidiary of any of the Issuers,

- the Indenture and the Notes,

- the Indenture under which the Senior Subordinated Notes will be issued and the Senior Subordinated Notes,

- any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuers or any of their Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred,

- by reason of customary non-assignment provisions in leases entered into in the ordinary course of business,

- purchase money obligations (including Capital Lease Obligations) for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (3) above on the property so acquired,

- Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced,

- contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary or

- applicable law or any applicable rule, regulation or order.

Guarantees by Restricted Subsidiaries

The Issuers will not permit any of their Restricted Subsidiaries, directly or indirectly, to Guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuers (other than as part of the Reorganization) unless:

- such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary, and

- such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuers or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee until the Notes have been paid in full.

Merger, Consolidation, or Sale of Assets

The Issuer or Issuers holding all or substantially all of the assets of the Issuers on a combined basis will not, directly or indirectly, consolidate or merge with or into (whether or not such Issuer is the surviving

corporation), or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuers on a combined basis in one or more related transactions, to another Person unless:

- such Issuer is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made is a Person organized or existing under the laws of the United States, any state thereof or the District of Columbia; provided that the Issuers agree that so long as the Notes are outstanding at least one of the Issuers shall be a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia;

- the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all the obligations of such Issuer under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee;

- immediately before and after such transaction no Default or Event of Default shall have occurred; and

- except in the case of a merger of such Issuer with or into a Restricted Subsidiary of such Issuer, the Issuer or the Person formed by or surviving any such consolidation or merger (if other than such Issuer), or to which such sale, assignment, transfer, conveyance or other disposition shall have been made, together with the surviving Issuers, will, immediately before and after such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable quarter, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock."

The Indenture also provides that none of the Issuers may, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

Notwithstanding the foregoing, (a) any or all of the Issuers may merge or consolidate with or transfer substantially all of its assets to an Affiliate that has no significant assets or liabilities and was formed solely for the purpose of changing the jurisdiction of organization of such Issuer or the form of organization of such Issuer, provided that the amount of Indebtedness of such Issuer and its Restricted Subsidiaries is not increased thereby and provided, further, that the successor assumes all obligations of such Issuer under the Indenture and the Registration Rights Agreement and (b) nothing in this section shall be deemed to prevent the consummation of the Reorganization.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuers in accordance with this covenant, the successor corporation formed by such consolidation or into or with which an Issuer or Issuers are merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for and may exercise every right and power of such Issuer or Issuers under the Indenture with the same effect as if such successor Person had been named as such Issuer or Issuers therein (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of the Indenture referring to the "Issuers" shall refer instead to the successor corporation and not to such Issuer or Issuers), and may exercise every right and power of such Issuer or Issuers under the Indenture with the same effect as if such successor Person had been named as such Issuer or Issuers therein; provided, however, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Issuers on a combined basis that meets the requirements of this covenant.

Transactions with Affiliates

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee

with, or for the benefit of, any Affiliate of any such Person (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to such Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by such Issuer or such Restricted Subsidiary with an unrelated Person and (ii) such Issuer delivers to the Trustee (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $2.5 million, a resolution of its Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved
by a majority of the members of its Board of Directors and (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an investment banking, appraisal or accounting firm of national standing; provided that none of the following shall be deemed to be Affiliate Transactions:

- any employment agreement entered into by any of the Issuers or any of their Restricted Subsidiaries or Avalon in the ordinary course of business,
- transactions between or among any of the Issuers and/or their Restricted Subsidiaries,
- any sale or other issuance of Equity Interests (other than Disqualified Stock) of any of the Issuers,
- Restricted Payments that are permitted by the covenant described above under the caption "--Restricted Payments,"
- fees and compensation paid to members of the Boards of Directors of the Issuers and their Restricted Subsidiaries or Avalon in their capacity as such, to the extent such fees and compensation are reasonable and customary,
- advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business,
- fees and compensation paid to, and indemnity provided on behalf of, officers, directors or employees of the Issuers or any of their Restricted Subsidiaries or Avalon, as determined by the Board of Directors of such Person, to the extent such fees and compensation are reasonable and customary,
- all transactions associated with the Reorganization and the Mercom Acquisition,
- the Mercom Intercompany Loan, the ABRY Management Agreement and the Mercom Management Agreement and
- Indebtedness permitted under the Indenture.

Sale and Leaseback Transactions

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that the Issuers or any of their Restricted Subsidiaries may enter into a sale and leaseback transaction if:

- such Issuer or Restricted Subsidiary could have incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction pursuant to the test set forth in the first paragraph of the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock,"
- the gross cash proceeds of such sale and leaseback transaction are at least equal to the fair market value (as determined in good faith by the Board of Directors of such Issuer or Restricted Subsidiary, whose determination shall be conclusive, and set forth in an Officers' Certificate delivered to the Trustee) of the property that is the subject of such sale and leaseback transaction and
- the transfer of assets in such sale and leaseback transaction is permitted by, and such Issuer or Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described above under the caption "Repurchase at the Option of Holders--Asset Sales."

Sale or Issuance of Capital Stock of Restricted Subsidiaries

Other than pursuant to the Reorganization, the Issuers:

- will not, and will not permit any of their Restricted Subsidiaries to, transfer, convey, sell, lease or otherwise dispose of any Equity Interests in any such Restricted Subsidiary to any Person (other than an Issuer or a Restricted Subsidiary of an Issuer), unless (a)(1) such transfer, conveyance, sale, lease or other disposition is of all the Equity Interests in such Restricted Subsidiary or after giving effect thereto, such Restricted Subsidiary will still constitute a Restricted Subsidiary and (b) the Net Cash Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with the covenant described above under the caption "Repurchase at the Option of Holders--Asset Sales," and

- will not permit any of their Restricted Subsidiaries to issue any of its Equity Interests (other than, if necessary, shares of its Capital Stock constituting directors' qualifying shares) to any Person other than to such Issuer or a Wholly Owned Restricted Subsidiary of such Issuer if, after giving effect thereto, such Restricted Subsidiary will not be a direct or indirect Subsidiary of an Issuer.

Reports

The Indenture provides that whether or not the Issuers are required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Issuers, on a combined consolidated basis, will furnish to each of the Holders of Notes:

- quarterly and annual financial statements substantially equivalent to financial statements that would have been included in a filing with the Commission on Forms 10-Q and 10-K if the Issuers were required to file such financial information, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Issuers and, with respect to the annual information only, reports thereon by the Issuers' independent public accountants (which shall be firm(s) of established national reputation) and

- all information that would be required to be filed with the Commission on Form 8-K if the Issuers were required to file such reports.

All such information and reports shall be provided on or prior to the dates on which such filings would have been required to be made had such Issuer been subject to the rules and regulations of the Commission. In addition, the Issuers shall make such information available to securities analysts and prospective investors upon request. For so long as any Notes remain outstanding, the Issuers shall furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default and Remedies

The Indenture provides that each of the following constitutes an Event of Default:

- default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes;

- default in payment when due of the Accreted Value of or the principal of or premium, if any, on the Notes;

- failure by any of the Issuers or any of their Restricted Subsidiaries to comply with the provisions described under the captions "--Restricted Payments," "--Incurrence of Indebtedness and Issuance of Preferred Stock" or "--Merger Consolidation or Sale of Assets";

- failure by any of the Issuers or any of their Restricted Subsidiaries for 30 days after notice to comply with the provisions described under the captions "Repurchase at the Option of Holders--Asset Sales" or "Repurchase at the Option of Holders--Change of Control";

- failure by any of the Issuers or any of their Restricted Subsidiaries for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes;

- default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by any of the Issuers or any of their Restricted Subsidiaries (or the payment of which is guaranteed by any of the Issuers or any of their Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

  (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default") or

  (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates without duplication $5.0 million or more;

- failure by any of the Issuers or any of their Restricted Subsidiaries to pay final judgments aggregating in excess of $5.0 million (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days; and

- certain events of bankruptcy or insolvency with respect to any of the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at maturity of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided that so long as any Indebtedness permitted to be incurred pursuant to the Credit Facility shall be outstanding, such acceleration shall not be effective until the earlier of (a) an acceleration of such Indebtedness under the Credit Facility and (b) five business days after receipt by the Issuers of written notice of such acceleration of the Notes. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to any of the Issuers or any of their Restricted Subsidiaries, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount at maturity of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The Holders of a majority in aggregate principal amount at maturity of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the Accreted Value or principal of, the Notes.

The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required upon becoming aware of any Default or Event of Default that is continuing, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator, manager, member or stockholder of any Person who is or was an Issuer or Parent Guarantor, as such, shall have any liability for any obligations of the Issuers under the Notes or the Indenture or any related documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Issuers may, at their option and at any time, elect to have all of their obligations discharged with respect to the outstanding Notes ("Legal Defeasance") except for:

- the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest and Liquidated Damages on such Notes when such payments are due from the trust referred to below,

- the Issuers' obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust,

- the rights, powers, trusts, duties and immunities of the Trustee, and the Issuers' obligations in connection therewith and

- the Legal Defeasance provisions of the Indenture.

In addition, the Issuers may, at their option and at any time, elect to have the obligations of the Issuers released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest and Liquidated Damages on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuers must specify whether the Notes are being defeased to maturity or to a particular redemption date;

- in the case of Legal Defeasance, the Issuers shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- in the case of Covenant Defeasance, the Issuers shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

- no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

- such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which any of the Issuers or any of their Restricted Subsidiaries is a party or by which any of the Issuers or any of their Restricted Subsidiaries is bound;

- the Issuers must have delivered to the Trustee an opinion of counsel (subject to customary qualifications and assumptions) to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

- the Issuers must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Notes over the other creditors of the Issuers with the intent of defeating, hindering, delaying or defrauding creditors of the Issuers or others; and

- the Issuers must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers are not required to transfer or exchange any Note selected for redemption. Also, the Issuers are not required to transfer or exchange any Note for a period of 15 business days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount at maturity of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount at maturity of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

- reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver,

- reduce the Accreted Value or principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "--Repurchase at the Option of Holders"),

- reduce the rate of or change the time for payment of interest on any Note,

- waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount at maturity of the Notes and a waiver of the payment default that resulted from such acceleration),

- make any Note payable in money other than that stated in the Notes,

- make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of or premium, if any, or interest on the Notes,

- waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "--Repurchase at the Option of Holders"), or

- make any change in the foregoing amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any Holder of Notes, the Issuers and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' obligations to Holders of Notes in the case of a merger, consolidation or asset transfer (including the Reorganization), to add additional guarantees with respect to the Notes, to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of any of the Issuers, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Additional Information

Anyone who receives this prospectus may obtain a copy of the Indenture and Registration Rights Agreement without charge by writing to Avalon Holdings, Attention: Vice President--Finance.

Book-Entry, Delivery and Form

The new notes initially will be represented by one or more global notes in registered, global form without interest coupons (collectively, the "Global Note"). The Global Note will be deposited upon issuance with the Trustee as custodian for the Depositary, in New York, New York, and registered in the name of the Depositary or its nominee, in each case for credit to an account of a direct or indirect participant as described below.

Except as set forth below, the Global Note may be transferred, in whole and not in part, only to another nominee of the Depositary or to a successor of the Depositary or its nominee. Beneficial interest in the Global Note may not be exchanged for new notes in certificated form except in the limited circumstances described below. Except in the limited circumstances described below, owners of beneficial interests in the Global Note will not be entitled to receive physical delivery of Certificated Notes (as defined below).

The new notes may be presented for registration of transfer and exchange at the offices of the Exchange Agent.

The Depositary has advised the Issuers that the Depositary is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of Participants. The Participants include securities brokers and dealers (including the Initial Purchaser), banks, trust companies, clearing corporations and certain other organizations. Access to the Depositary's system is also available to other entities such as banks, brokers, dealers and trust companies that

clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of the Depositary only through the Participants or Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of the Depositary are recorded on the records of the Participants and Indirect Participants.

The Depositary has also advised the Issuers that pursuant to procedures established by it:

- upon deposit of the Global Note, the Depositary will credit the accounts of Participants designated by the exchanging holders with portions of the principal amount of Global Note; and

- ownership of such interests in the Global Note will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depositary (with respect to Participants) or by Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Note).

Except as described below, owners of interests in the Global Note will not have new notes registered in their names, will not receive physical delivery of new notes in certificated form and will not be considered the registered owners or "Holders" thereof under the Indenture for any purpose.

Payments in respect of the principal of, and premium, if any, and Liquidated Damages, if any, and interest on a Global Note registered in the name of the Depositary or its nominee will be payable by the Trustee to the Depositary or its nominee in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, the Issuers and the Trustee will treat the persons in whose names the new notes, including the Global Note, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuers, the Trustee nor any agent of the Issuers or the Trustee has or will have any responsibility or liability for:

- any aspect of the Depositary's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Note, or for maintaining, supervising or reviewing any of the Depositary's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Note; or

- any other matter relating to the actions and practices of the Depositary or any of its Participants or Indirect Participants.

The Depositary has advised the Issuers that its current practice upon receipt of any payment in respect of securities such as the new notes (including principal and interest) is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security as shown on the records of the Depositary unless the Depositary has reason to believe it will not receive payment on such payment date. Payments by Participants and the Indirect Participants to the beneficial owners of new notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of the Depositary, the Trustee or the Issuers. Neither the Issuers nor the Trustee will be liable for any delay by the Depositary or its Participants in identifying the beneficial owners of the new notes, and the Issuers and the Trustee may conclusively rely on and will be protected in relying on instructions from the Depositary or its nominee for all purposes.

Interests in the Global Note are expected to be eligible to trade in the Depositary's Same-Day Funds Settlement System and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of the Depositary and its Participants. See "--Same Day Settlement and Payment."

The Depositary has advised the Issuers that it will take any action permitted to be taken by a Holder of new notes only at the direction of one or more Participants to whose account the Depositary has credited the

interests in the Global Note and only in respect of such portion of the aggregate principal amount of the new notes as to which such Participant or Participants has or have given direction. However, if there is an Event of Default under the new notes, the Depositary reserves the right to exchange Global Note for legended new notes in certificated form, and to distribute such new notes to its Participants.

The information in this section concerning the Depositary and its book entry systems has been obtained from sources that the Issuers believe to be reliable, but the Issuers take no responsibility for the accuracy thereof.

Although the Depositary has agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among Participants in the Depositary, it is under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Initial Purchaser or the Trustee or any of their respective agents will have any responsibility for the performance by the Depositary or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Book-Entry Notes for Certificated Notes

A Global Note is exchangeable for definitive new notes in registered certificated form ("Certificated Notes") if:

- the Depositary (A) notifies the Issuers that it is unwilling or unable to continue as depositary for the Global Note and the Issuers thereupon fail to appoint a successor depositary or (B) has ceased to be a clearing agency registered under the Securities Exchange Act,

- the Issuers, at their option, notify the Trustee in writing that they elect to cause issuance of the Certificated Notes or

- there shall have occurred and be continuing a Default or Event of Default with respect to the new notes.

Neither the Issuers nor the Trustee will be liable for any delay by the Global Note Holder or the Depositary in identifying the beneficial owners of new notes and the Issuers and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or the Depositary for all purposes.

Exchange of Certificated Notes for Book-Entry Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to Investors."

Same Day Settlement and Payment

The Indenture requires that payments in respect of the new notes represented by the Global Note (including principal, premium, if any, interest and Liquidated Damages, if any) be made by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. With respect to Certificated Notes, the Issuers will make all payments of principal, premium, if any, interest and Liquidated Damages, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder's registered address. The new notes represented by the Global Note are expected to be eligible to trade in the PORTAL market and to trade in the Depositary's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such new notes will, therefore, be required by the Depositary to be settled in immediately available funds. The Issuers expect that secondary trading in the certificated Notes will also be settled in immediately available funds.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"ABRY" means ABRY Partners, Inc.

"ABRY III" means ABRY Broadcast Partners III, L.P.

"ABRY Management Agreement" means the Management and Consulting Services Agreement entered into as of May 29, 1998 and amended and restated as of November 6, 1998 by and among ABRY Partners, Inc., Avalon Michigan Inc. and Avalon New England, and any successor agreement; provided that any such successor agreement shall not modify the ABRY Management Agreement as in effect as of November 6, 1998 in any material respect, taken as a whole, adverse to the Issuers and their Subsidiaries or the Trustee.

"ABRY Subordinated Debt" means Indebtedness of the Issuers in principal amount not to exceed $30.0 million in the aggregate at any time outstanding (a) that is owed to Avalon, directly or indirectly, or to ABRY III, ABRY or any other investment fund controlled by ABRY, (b) as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness shall be subordinate to the prior payment in full of the Senior Discount Notes and the Notes to at least the following extent: (i) no payments of principal (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any default in the payment of principal (or premium, if any) or interest on the Senior Discount Notes and/or the Notes exists and (ii) in the event that any other default that with the passing of time or the giving of notice, or both, would constitute an event of default exists with respect to the Senior Discount Notes and/or the Notes, upon notice by 25% or more in principal amount at maturity of the Senior Discount Notes and/or the Notes, as appropriate, to the trustee under the Senior Discount Notes and/or the Notes, such trustee or trustees shall have the right to give notice to the Issuers and the holders of such Indebtedness (or trustees or agents therefor) of a payment blockage, and thereafter no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be made for a period of 179 days from the date of such notice and (c) that shall automatically convert into common equity of the Issuers within 18 months of the date of issuance thereof, unless refinanced.

"Accreted Value" means as of any date prior to December 1, 2003, an amount per $1,000 principal amount at maturity of the Notes that is equal to the sum of (a) the initial offering price of each Note and (b) the portion of the excess of the principal amount at maturity of each Note over such initial offering price which shall have been amortized through such date, such amount to be so amortized on a daily basis and compounded semi-annually on each June 1, and December 1, at the rate of 11 7/8% per annum from the Issue Date through the date of determination computed on the basis of a 360-day year of twelve 30-day months.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Acquisition Transactions" means the acquisition (i) by the Issuers and their subsidiaries of 1,822,810 outstanding shares of the common stock of Mercom, (ii) by Avalon Michigan Inc. or Avalon Michigan LLC of a cable television system from Cross Country Cable TV, Inc., (iii) by Avalon Michigan Inc. or Avalon Michigan LLC of a cable television system from Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P., (iv) by Avalon Michigan Inc. or Avalon Michigan LLC of the assets of Traverse Internet, Inc. and (v) by Avalon New England of all of the cable system assets of Taconic Technology Corp.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "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 or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Amrac" means Amrac Clear View, a Limited Partnership.

"Asset Sale" means (i) the sale, lease, conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuers and their Restricted Subsidiaries taken as a whole will be governed by the covenants described above under the captions "Repurchase at the Option of Holders--Change of Control" and "--Merger, Consolidation, or Sale of Assets" and not by the provisions of the covenant described above under the caption "--Asset Sales"), and (ii) the issue or sale by the Issuers or any of their Restricted Subsidiaries of Equity Interests in any of their Restricted Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions (a) that have a fair market value in excess of $2.5 million or (b) for Net Cash Proceeds in excess of $2.5 million. Notwithstanding the foregoing: (i) a transfer of assets by any of the Issuers to a Restricted Subsidiary of any Issuer or by a Restricted Subsidiary of any Issuer to such Issuer or to another Issuer or Restricted Subsidiary of an Issuer, (ii) an issuance or sale of Equity Interests by a Restricted Subsidiary of an Issuer to any Issuer or to another Issuer or Restricted Subsidiary of any Issuer, (iii) a Restricted Payment that is permitted by the covenant described above under the caption "--Restricted Payments" and (iv) transactions that are part of the Reorganization will not be deemed to be Asset Sales.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Avalon" means Avalon Cable Holdings LLC, a Delaware limited liability company.

"Avalon Michigan" means Avalon Cable of Michigan, Inc., a Pennsylvania corporation.

"Avalon Michigan LLC" means Avalon Cable of Michigan LLC, a Delaware limited liability company.

"Avalon New England" means Avalon Cable of New England LLC, a Delaware limited liability company.

"Board of Directors" means, as to any Person, the board of directors of such Person (or, if such Person is a limited liability company, the board of managers of such Person) or similar governing body or any duly authorized committee thereof.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Cable Michigan" means Cable Michigan, Inc., a Pennsylvania corporation.

"Capital Lease Obligation" means, as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and, for the purposes of the Indenture, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock and (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited).

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (iii) certificates of deposit and Eurodollar time deposits with maturities of not more than one year from the date of acquisition, bankers' acceptances with maturities of not more than one year from the date of acquisition and overnight bank deposits, in each case with (A) Brown Brothers Harriman or (B) any other domestic commercial bank having capital and surplus in excess of $500 million and a Thompson Bank Watch Rating of "B" or better, (iv) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having the highest rating obtainable from Moody's Investors Service, Inc. or one of the two highest ratings from Standard & Poor's with maturities of not more than one year from the date of acquisition and (vi) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (i)-(v) of this definition.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the combined assets of the Issuers and their Restricted Subsidiaries, taken as a whole, or of all or substantially all of the, direct or indirect, assets of Avalon, in either case, to any "person" (as such term is used in Section 13(d)(3) of the Securities Exchange Act) other than another Issuer, a Restricted Subsidiary or an Additional Obligor; (ii) the adoption of a plan relating to the liquidation or dissolution of an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers; (iii) (A) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Principals, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition), directly or indirectly, of more than 35% of the Capital Stock of Avalon (measured by voting power rather than number of shares) and (B) the Principals "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition), directly or indirectly, in the aggregate a lesser percentage of the Capital Stock of Avalon (measured by voting power rather than number of shares) than such other person; (iv) the first day on which a majority of the members of the Board of Directors of Avalon are not Continuing Managers; or (v) (A) Avalon or an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers, consolidates with, or merges with or into, any Person or (B) any Person consolidates with, or merges with or into, Avalon or an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of such Issuer or Issuers or Avalon is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of such Issuer or Issuers or Avalon outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance); provided, however, that notwithstanding the foregoing, the Reorganization shall not be deemed to be a Change of Control.

"Commission" means the Securities and Exchange Commission.

"Company Issuers" means initially Avalon Michigan, Avalon New England and Avalon Cable Finance, Inc. or any successor thereto; provided that subsequent to the Reorganization, the Company Issuers shall be Avalon New England, Avalon Michigan LLC, as successor to Avalon Michigan, and Avalon Cable Finance, Inc. or any successor thereto.

"Completed Acquisitions" means the acquisitions of Cable Michigan, Amrac and Pegasus by Avalon or an Affiliate of Avalon.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) Consolidated Interest Expense of such Person for such period, to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing such Consolidated Net Income, plus (v) other non-cash items decreasing such Consolidated Net Income, minus (vi) non-cash items increasing such Consolidated Net Income for such period (other than items that were accrued in the ordinary course of business), in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), (ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (iii) any interest expense on Indebtedness of another Person that is guaranteed by such Person or any of its Restricted Subsidiaries or secured by a Lien on assets of such Person or any of its Restricted Subsidiaries (whether or not such guarantee or Lien is called upon) and (iv) the product of (a) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Restricted Subsidiary) on any series of preferred stock of such Person or any of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries (for such period, on a consolidated basis, determined in accordance with GAAP); provided that (i) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary, (ii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iii) the cumulative effect of a change in accounting principles shall be excluded and (iv) the Net Income of any Unrestricted Subsidiary shall be excluded whether or not distributed to an Issuer or one of its Restricted Subsidiaries.

"Continuing Managers" means the managers of Avalon on the Issue Date and each other manager, if, in each case, such other manager's nomination for election to the board of managers of Avalon is recommended by at least 66 2/3% of the then Continuing Managers or such other manager receives the vote of the Permitted Investors in his or her election by the equityholders of Avalon.

"Control Investment Affiliate" means as to any Person, any other Person which (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Credit Facility" means that certain Senior Credit Agreement, dated as of November 5, 1998, by and among the Company Issuers, the lenders party thereto, Lehman Commercial Paper Inc., as administrative agent and other parties thereto, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"Default" means any event that is or with the passage of time or the giving of notice (or both) would be an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature, except to the extent that such Capital Stock is solely redeemable with, or solely exchangeable for, any Capital Stock of such Person that is not Disqualified Stock; provided, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuers or their Affiliates to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale shall not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuers or their Affiliates may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption under "--Certain Covenants--Restricted Payments."

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Excess Proceeds" means any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of the third paragraph under the caption "--Asset Sales" within the applicable period.

"Existing Michigan Indebtedness" means Indebtedness incurred by Avalon Michigan Inc. or Mercom between the Issue Date and the completion of the Reorganization that would be permitted to be incurred under the terms of the Indenture, including any related notes, guarantees, collateral documents, instruments and agreement executed in connection therewith, and in each case, as amended, modified renewed, refunded, replaced or refinanced.

"Existing Indebtedness" means up to $5.0 million in aggregate principal amount of Indebtedness of the Issuers and their Restricted Subsidiaries (other than Indebtedness under the Credit Facility and the Notes) in existence on the Issue Date, until such amounts are repaid.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, except for the provisions described above under the captions "Certain Covenants--Restricted Payments" and "Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock", GAAP shall be determined on the basis of such principles in effect on the Issue Date.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Hedging Obligations" means, with respect to any Person, the net payment Obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements in the ordinary course of business designed to protect such Person against fluctuations in commodity prices, interest rates or currency exchange rates.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means, with respect to any Person, without duplication, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any Property acquired by such Person or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade or accounts payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all Indebtedness of others secured by a Lien on any asset of such Person (whether or not such Indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any Indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the face amount thereof, in the case of any Indebtedness with respect to acceptances, letters of credit and similar facilities, (ii) the accreted value thereof in the case of any Indebtedness that does not require current payments of interest and (iii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness; provided, however, that, in each case, with respect to any Indebtedness of any Person secured by a Lien on any asset of such Person and non-recourse to such Person, the amount of such Indebtedness shall be the lesser of (A) the principal amount thereof and (B) the fair market value of the Property subject to such Lien. Notwithstanding the foregoing, the term "Indebtedness" shall not include Indebtedness of the Issuers to Affiliates for which principal and interest payments are not required to be made prior to the maturity of the Notes and which is otherwise subordinated to the prior payment in full of the Notes.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including Guarantees of Indebtedness or other Obligations), advances of assets or capital contributions (excluding commission, travel and entertainment, moving, and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If any of the Issuers or any of their Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of any Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a direct or indirect Restricted Subsidiary of any Issuer, such Issuer or such Restricted Subsidiary, as the case may be, shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "--Restricted Payments."

"Issue Date" means the date on which the Notes are originally issued.

"Issuers" means, initially, Michigan Holdings, Avalon Holdings and Finance Holdings or any successor thereto; provided that subsequent to the Reorganization, the Issuers shall be Avalon Holdings, as successor to Michigan Holdings, and Finance Holdings or any successor thereto.

"Leverage Ratio" means the ratio of (i) the aggregate outstanding amount of Indebtedness of each of the Issuers and their Restricted Subsidiaries as of the date of calculation on a combined consolidated basis in accordance with GAAP (subject to the terms described in the next paragraph) plus the aggregate liquidation preference of all outstanding Disqualified Stock of the Issuers and preferred stock of the Issuers' Restricted Subsidiaries (except preferred stock issued to the Issuers or a Wholly Owned Subsidiary of the Issuers) on such date to (ii) the aggregate Consolidated Cash Flow of the Issuers for the full fiscal quarter ending on or prior to the date of determination multiplied by four.

For purposes of this definition, (i) the amount of Indebtedness which is issued at a discount shall be deemed to be the accreted value of such Indebtedness at the end of the quarter, whether or not such amount is the amount then reflected on a balance sheet prepared in accordance with GAAP, and (ii) the aggregate outstanding principal amount of Indebtedness of the Issuers and their Subsidiaries and the aggregate liquidation preference of all outstanding preferred stock of the Issuers' Subsidiaries for which such calculation is made shall be determined on a pro forma basis as if the Indebtedness and preferred stock giving rise to the need to perform such calculation had been incurred and issued and the proceeds therefrom had been applied, and all other transactions in respect of which such Indebtedness is being incurred or preferred stock is being issued had occurred, on the first day of the quarter. In addition to the foregoing, for purposes of this definition, Consolidated Cash Flow shall be calculated on a pro forma basis after giving effect to (i) the incurrence of the Indebtedness of such Person and its Subsidiaries and the issuance of the preferred stock of such Subsidiaries (and the application of the proceeds therefrom) giving rise to the need to make such calculation and any incurrence (and the application of the proceeds therefrom) or repayment of other Indebtedness, at any time subsequent to the beginning of the quarter and on or prior to the date of determination, as if such incurrence or issuance (and the application of the proceeds thereof), or the repayment, as the case may be, occurred on the first day of the quarter (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such period) and (ii) any acquisition (including, without limitation, the acquisitions of Cable Michigan, Amrac and Pegasus and any other acquisition giving rise to the need to make such calculation as a result of such Person or one of its Subsidiaries (including any Person that becomes a Subsidiary as a result of such acquisition) incurring, assuming or otherwise becoming liable for Indebtedness or such Person's Subsidiaries issuing preferred stock) at any time on or subsequent to the first day of the quarter and on or prior to the date of determination, as if such acquisition (including the incurrence, assumption or liability for any such Indebtedness and the issuance of such preferred stock and also including any Consolidated Cash Flow associated with such acquisition) occurred on the first day of the quarter, giving pro forma effect to any non-recurring expenses, non-recurring costs and cost reductions within the first year after such acquisition the Issuers anticipate if the Issuers deliver to the Trustee an officer's certificate executed by the chief financial or accounting officer of any of the Issuers certifying to and describing and quantifying with reasonable specificity such non-recurring expenses, non-recurring costs and cost reductions. Furthermore, in calculating Consolidated Interest Expense for purposes of the calculation of Consolidated Cash Flow, (a) interest on Indebtedness determined on a fluctuating basis as of the date of determination (including Indebtedness actually incurred on the date of the transaction giving rise to the need to calculate the Leverage Ratio) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness as in effect on the date of determination and (b) notwithstanding (a) above, interest determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in any asset and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Mercom" means Mercom, Inc., a Delaware corporation.

"Mercom Intercompany Loan" means the Term Credit Agreement between Mercom and Cable Michigan, Inc. originally dated as of November 26, 1989, amended and restated as of August 16, 1995, further amended and restated as of September 29, 1997 and as may be further amended from time to time; provided that any such further amendment shall not modify the Mercom Intercompany Loan as in effect as of September 29, 1997 in any material respect, taken as a whole, adverse to the Issuers and their Subsidiaries or the Trustee or the Holders.

"Mercom Management Agreement" means the Management Agreement between Mercom and Cable Michigan, Inc. dated as of January 1, 1997, as may be amended from time to time; provided that any such amendment shall not modify the Mercom Management Agreement as in effect as of January 1, 1997 in any material respect.

"Merger" means the merger of Avalon Cable Michigan, Inc. with and into Cable Michigan, Inc.

"Net Cash Proceeds" means (a) with respect to any Asset Sale, the aggregate cash proceeds or Cash Equivalents received by the Issuers or any of their Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) all costs relating to such Asset Sale (including, without limitation, legal, accounting, investment banking and brokers fees, and sales and underwriting commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (ii) any reserve established in accordance with GAAP or amounts deposited in escrow for adjustment in respect of the sale price of such asset or assets or for indemnities with respect to any Asset Sale (provided that such amounts shall be Net Cash Proceeds to the extent and at the time released or not required to be reserved) and (iii) amounts required to be applied to the repayment of Indebtedness secured by a Lien which is expressly permitted hereunder on any asset that is the subject of such Asset Sale and (b) with respect to transactions or events other than Asset Sales, the aggregate cash proceeds or Cash Equivalents received by the Issuers or any of their Restricted Subsidiaries in connection therewith less the reasonable fees, commissions and other out-of-pocket expenses incurred by the Issuers or any of their Restricted Subsidiaries in connection with such transaction or event and less any taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and (ii) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"Non-Recourse Debt" means Indebtedness (i) as to which none of the Issuers nor any of their Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise) or (c) constitutes the lender; and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any Indebtedness (other than the Notes being offered hereby) of any of the Issuers or their Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of any of the Issuers or their Restricted Subsidiaries.

"Obligations" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to any Issuer or any of their Restricted

Subsidiaries whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages (including Liquidated Damages), guarantees and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereof.

"Pegasus" means, collectively, Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc.

"Permitted Business" means any business engaged in by the Issuers or their Restricted Subsidiaries as of the Issue Date or any business reasonably related, ancillary or complementary thereto.

"Permitted Investments" means (a) any Investment in any Issuer or in any Restricted Subsidiary of the Issuers; (b) any Investment in Cash Equivalents constituting Cash Equivalents at the time made; (c) any Investment by the Issuers or any of their Restricted Subsidiaries in a Person engaged in a Permitted Business, if as a result of such Investment (i) such Person becomes a Wholly-Owned Subsidiary of any Issuer or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, any of the Issuers or any of their Restricted Subsidiaries; (d) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made in compliance with the covenant described above under the caption "Repurchase at the Option of Holders--Asset Sales"; (e) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of any of the Issuers; (f) other Investments by the Issuers or any of their Restricted Subsidiaries in any Person having an aggregate fair market value (measured as of the date made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (f) that are at the time outstanding, not to exceed $10.0 million; (g) Investments arising in connection with Hedging Obligations that are incurred in the ordinary course of business, for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding) in connection with the conduct of the business of the Issuers and their Restricted Subsidiaries; (h) prior to the completion of the Mercom Acquisition, the Mercom Intercompany Loan; and (i) any Investment existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement, refinancing, in whole or in part, thereof.

"Permitted Investors" means the collective reference to ABRY and its Control Investment Affiliates, including ABRY III.

"Permitted Liens" means (i) Liens securing Indebtedness under the Credit Facility or other senior Indebtedness if such Indebtedness was permitted by the terms of the Indenture to be incurred, (ii) Liens securing Indebtedness of any Restricted Subsidiary of any of the Issuers if such Indebtedness was permitted by the terms of the Indenture to be incurred; (iii) Liens securing Hedging Obligations with respect to Indebtedness permitted by the Indenture to be incurred; (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with any of the Issuers or any of their Restricted Subsidiaries; provided that such Liens were not created in contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with such Issuer; (v) Liens on property existing at the time of acquisition thereof by any of the Issuers or any of their Restricted Subsidiaries, provided that such Liens were not created in contemplation of such acquisition and only extend to the property so acquired; (vi) Liens existing on the Issue Date; (vii) Liens to secure any Permitted Refinancing Indebtedness incurred to refinance any Indebtedness secured by any Lien referred to in the foregoing clauses (ii) through (vi), as the case may be, at the time the original Lien became a Permitted Lien; (viii) Liens in favor of any of the Issuers or any of their Restricted Subsidiaries; (ix) Liens incurred in the ordinary course of business of the Issuers or any of their Restricted Subsidiaries with respect to obligations that do not exceed the greater of $15.0 million or 5% of Total Assets in the aggregate at any one time outstanding and that (a) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (b) do not in the aggregate materially detract from the value of the property or materially impair

the use thereof in the operation of business by such Issuer or such Restricted Subsidiary; (x) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, deposits to secure the performance of bids, trade contracts, government contracts, leases or licenses or other obligations of a like nature incurred in the ordinary course of business (including, without limitation, landlord Liens on leased properties); (xi) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently prosecuted, provided that any reserve or other appropriate provision as shall be required to conform with GAAP shall have been made therefor; (xii) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (vi) of the second paragraph of the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness; (xiii) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations not overdue for a period in excess of 60 days or which are being contested in good faith by appropriate proceedings promptly instituted and diligently prosecuted; provided that any reserve or other appropriate provision as shall be required to conform with GAAP shall have been made therefor; (xiv) easements, rights-of-way, zoning and similar restrictions and other similar encumbrances or title defects incurred, or leases or subleases granted to others, in the ordinary course of business, which do not in any case materially detract from the value of the Property subject thereto or do not interfere with or adversely affect in any material respect the ordinary conduct of the business of the Issuers and their Restricted Subsidiaries taken as a whole; (xv) Liens in favor of customs and revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business and other similar Liens arising in the ordinary course of business; (xvi) leases or subleases granted to third Persons not materially interfering with the ordinary course of business of the Issuers or any of their Restricted Subsidiaries; (xvii) Liens (other than any Lien imposed by ERISA or any rule or regulation promulgated thereunder) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security; (xviii) deposits made in the ordinary course of business to secure liability to insurance carriers; (xix) Liens to secure Indebtedness permitted under the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock"; provided, that any such Lien encumbers only the assets so purchased with the proceeds thereof; (xx) any attachment or judgment Lien not constituting an Event of Default under clause (vii) of the first paragraph of the section described above under the caption "Events of Default and Remedies"; (xxi) any interest or title of a lessor or sublessor under any operating lease; (xxii) Liens under licensing agreements for use of Intellectual Property entered into in the ordinary course of business; (xxiii) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of any of the Issuers or any of their Restricted Subsidiaries, including rights of offset and set-off; (xxiv) bankers' Liens in respect of deposit accounts; (xxv) Liens created under the Indenture; (xxvi) Liens imposed by law incurred by the Issuers or their Restricted Subsidiaries in the ordinary course of business; and (xxvii) any renewal of or substitution for any Lien permitted by clauses (i) through (xxvi), provided, however, that with respect to Liens incurred pursuant to this clause (xxvii), the principal amount secured has not increased nor the Liens extended to any additional property (other than proceeds of the property in question).

"Permitted Refinancing Indebtedness" means any Indebtedness of any of the Issuers or any of their Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of such Issuer or such Restricted Subsidiary (other than intercompany Indebtedness); provided that either: (A) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued and unpaid interest on, any Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable fees and expenses incurred in connection therewith); (B) for Indebtedness other than Indebtedness incurred pursuant to the Senior Credit Facility, such Permitted Refinancing Indebtedness has a final maturity date the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (C) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the

Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (D) such Indebtedness is incurred either by the Issuer or the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded or by the parent company of such obligor.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or any other entity.

"Principal" means (i) Permitted Investors and (ii) the members of management of the Issuers or any of the Subsidiaries of the Issuers as of the Issue Date, in each case, together with any spouse or immediate family member (including adoptive children), estate, heirs, executors, personal representatives and administrators of such Person.

"Reorganization" means the related series of substantially simultaneous transactions pursuant to which (i) substantially all the assets of Avalon Michigan Inc. (other than, at the option of Avalon Michigan Inc., the Capital Stock of Mercom and any Subsidiary of Avalon Michigan Inc. organized for purposes of consummating the Mercom Acquisition) and Mercom (other than, at the option Avalon Michigan Inc., the Capital Stock of Wholly-Owned Subsidiaries of Mercom) are transferred to Avalon Michigan LLC; (ii) substantially all of the liabilities of Avalon Michigan Inc. and Mercom (other than liabilities hereunder and, at the option of Avalon Michigan Inc., intercompany debt) are transferred to Avalon Michigan LLC; (iii) Michigan Holdings ceases to be an Issuer and together with Avalon Michigan becomes a guarantor under the Indenture and (iv) certain Indebtedness of Avalon New England shall be assumed by Avalon Michigan Inc.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; provided that, on the Issue Date, all Subsidiaries of each of the Issuers shall be Restricted Subsidiaries of each such Issuer.

"Senior Subordinated Notes" means the Senior Subordinated Notes due 2008 of the Company Issuers, as co-obligors, issued under the Indenture dated as of December 10, 1998.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1 Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the Issue Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the credit agreement or other original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Strategic Equity Investment" means a cash contribution to the equity capital of any of the Issuers or a purchase from any such Issuer of common Equity Interests (other than Disqualified Stock), in either case by or from a Strategic Equity Investor and for aggregate cash consideration of at least $25.0 million.

"Strategic Equity Investor" means, as of any date, any Person (other than an Affiliate of any of the Issuers) engaged in a Permitted Business.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the

occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or an entity described in clause (i) and related to such Person or (b) the only general partners of which are such Person or of one or more entities described in clause (i) and related to such Person (or any combination thereof).

"Total Assets" means the total combined consolidated assets of the Issuers and their Restricted Subsidiaries, as shown on the most recent balance sheets (excluding the footnotes thereto) of the Issuers.

"Total Revenues" means the total combined consolidated revenues of the Issuers and their Restricted Subsidiaries, as shown on the most recent balance sheets (excluding the footnotes thereto) of the Issuers.

"Unrestricted Subsidiary" means (i) any Subsidiary that is designated by the Board of Directors of the applicable Issuer as an Unrestricted Subsidiary pursuant to a Board Resolution; but only to the extent that such Subsidiary: (a) has no Indebtedness other than Non-Recourse Debt; (b) is not party to any agreement, contract, arrangement or understanding with such Issuer or any Restricted Subsidiary of such Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to such Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of such Issuer; (c) is a Person with respect to which none of the Issuers nor any of their Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (d) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuers or any of their Restricted Subsidiaries. The Board of Directors of the Issuers may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuers of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted pursuant to the provisions described above under the caption "Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock", calculated on a pro forma basis as if such designation had occurred at the beginning of the reference period, and (ii) no Default or Event of Default would be in existence following such designation.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Subsidiary" of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock and other Equity Interests of which shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes material United States federal income tax consequences of the exchange of old notes for new notes pursuant to the exchange offer and the ownership and disposition of the new notes. The discussion is a summary and does not consider all aspects of U.S. federal income taxation that may be relevant to the purchase, ownership and disposition of the new notes by a prospective investor in light of such investor's personal circumstances. This discussion also does not address the U.S. federal income tax consequences of ownership of notes not held as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or the U.S. federal income tax consequences to investors subject to special treatment under the U.S. federal income tax laws, such as dealers in securities or foreign currency, tax-exempt entities, financial institutions, insurance companies, persons that hold the notes as part of a straddle, a hedging or a conversion or constructive sale transaction, persons that have a "functional currency" other than the U.S. dollar, and investors in pass-through entities. In addition, this discussion does not describe any tax consequences arising under U.S. gift and estate taxes or out of the tax laws of any state, local or foreign jurisdiction.

Furthermore, the discussion below is based upon the provisions of the Code, and the regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, possibly on a retroactive basis, so as to result in United States federal income tax consequences different from those discussed below. Persons considering the purchase, ownership or disposition of the new notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

The exchange of old notes for new notes pursuant to the exchange offer will not be treated as an "exchange" for federal income tax purposes because the new notes will not be considered to differ materially in kind or extent from the old notes. Rather, the new notes received by a holder will be treated as a continuation of the old notes in the hands of such holder. As a result, there will be no federal income tax consequences to holders exchanging old notes for new notes pursuant to the exchange offer.

Exchange of Old Notes

The exchange of old notes for new notes with terms identical to those of the old notes and the filing of a registration statement with respect to the resale of the old notes will not be a taxable event to holders of the old notes. Consequently, as a result of such an exchange or such a filing, no gain or loss will be recognized by a holder, the holding period of the new note will include the holding period of the old note and the basis of the new note will be the same as the basis of the old note immediately before the exchange. The issuers are obligated to pay liquidated damages to the holders of the old notes under certain circumstances. Any such payments should be treated for tax purposes as interest, taxable to holders as such payments are received or accrued in accordance with the holder's method of accounting for federal income tax purposes.

In any event, persons considering the exchange of old notes for new notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

Payments of Interest

Except as set forth below, interest on a new note will generally be taxable to a United States Holder as ordinary income from domestic sources at the time it is paid or accrued in accordance with the United States Holder's method of accounting for tax purposes. As used herein, a "United States Holder" means a holder of a new note that is:

. a citizen or resident of the United States,

- a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof,

- an estate the income of which is subject to United States federal income taxation regardless of its source or

- a trust which is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code.

A "Non-United States Holder" is a holder that is not a United States Holder.

Original Issue Discount

The new notes will bear original issue discount in an amount equal to the difference between their stated redemption price at maturity (the sum of all payments to be made on the new note) and their "issue price." United States Holders should be aware that they generally must include original issue discount in gross income as it accrues; regardless of their regular method of accounting for federal income tax purposes, and in advance of the receipt of cash attributable to that income. However, United States Holders of such new notes generally will not be required to include separately in income cash payments received on the new notes, even if denominated as interest.

This summary is based upon final Treasury regulations addressing debt instruments issued with original issue discount.

The "issue price" of a new note will be the first price at which a substantial amount of the particular offering of old notes to which such new note relates was sold (other than to an underwriter, placement agent or wholesaler).

The amount of original issue discount includible in income by the initial United States Holder is the sum of the "daily portions" of original issue discount with respect to the new note for each day during the taxable year or portion of the taxable year in which such United States Holder held such new note (including, in the case of the taxable year in which such holder exchanged old notes for new notes, each day during such taxable year in which such holder held such old notes) ("accrued original issue discount"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the original issue discount allocable to that accrual period. The "accrual period" may be of any length and may vary in length over the terms of the new note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of original issue discount allocable to any accrual period is an amount equal to the product of the new note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). Original issue discount allocable to a final accrual period is the difference between the amount payable at maturity and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of a new note at the beginning of any accrual period is equal to its issue price increased by the accrued original issue discount for each prior accrual period and reduced by any payments made on such new note on or before the first day of the accrual period. Under these rules, a United States Holder will have to include in income increasingly greater amounts of original issue discount in successive accrual periods. The issuers are required to provide information returns stating the amount of original issue discount accrued on new notes held of record by persons other than corporations and other exempt holders.

United States Holders may be able to elect to treat all interest on any new note as original issue discount and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, de minimis original issue discount and unstated interest. The election is to be made for the taxable year in which the United States Holder acquired the old note to which a new note relates, and may not be revoked without the consent of the Internal Revenue Service. United States Holders should consult with their own tax advisors about this election and its availability.

Sale, Exchange, Redemption and Retirement of New Notes

A United States Holder's tax basis in a new note will, in general, be the United States Holder's cost therefor, increased by the amount of original issue discount previously included in income with respect to such new note and reduced by any cash payments on the new note (including, in each case, original issue discount included and cash payments made with respect to the old note for which such new note was exchanged). Upon the sale, exchange, redemption, retirement or other disposition of a new note, a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other disposition and the adjusted tax basis of the new note. Such gain or loss will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Non-United States Holders

For purposes of the following discussion, interest, dividends and gain on the sale, exchange or other disposition of a new note will be considered "U.S. trade or business income" if such income or gain is:

- effectively connected with the conduct of a U.S. trade or business and
- in the case of a qualified resident of a country having an applicable income tax treaty with the United States containing a permanent establishment provision, attributable to a U.S. permanent establishment (or to a fixed base) in the United States.

Under present United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) A new note beneficially owned by an individual who at the time of death is a Non-United States Holder will not be subject to United States federal estate tax as a result of such individual's death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of any of the issuers entitled to vote within the meaning of section 871(h)(3) of the Code and provided that the interest payments with respect to such new note would not have been, if received prior to the time of such individual's death, U.S. trade or business income to such individual.

(b) (i) No withholding of United States federal income tax will be required with respect to the payment by the Issuers or any paying agent of principal or interest on a new note owned by a Non-United States Holder, provided that:

(A) the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of any of the issuers entitled to vote (or, in the case of any issuer which is a limited liability company, 10% or more of the capital or profits interest in such issuer) within the meaning of section 871(h)(3) of the Code and the regulations promulgated thereunder,

(B) the beneficial owner is not a controlled foreign corporation that is related to any of the issuers as described in Section 864(d)(4) of the Code,

(C) the beneficial owner is not a bank whose receipt of interest on a new note is described in section 881(c)(3)(A) of the Code, and

(D) the beneficial owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the Code and the regulations promulgated thereunder (the "Portfolio Interest Exception").

(ii) To satisfy the requirement referred to in (b)(i)(D) above, the beneficial owner of such new note, or a financial institution holding the new note on behalf of such owner, must provide, in accordance with specified procedures, a paying agent of any of the issuers with a statement to the effect that the beneficial owner is not a United States person. Currently, these requirements will be met if (1) the beneficial owner provides its name and address, and certifies, under penalties of perjury, that it is not a United States person (which certification may be made on an Internal Revenue Service Form W-8 (or successor form)) or (2) a

financial institution holding the new note on behalf of the beneficial owner certifies, under penalties or perjury, that such statement has been received by it and furnishes a paying agent with a copy thereof. Under recently finalized Treasury regulations (the "Final Regulations"), the statement requirement referred to in (b)(i)(D) above may also be satisfied with other documentary evidence for interest paid after December 31, 1999, with respect to an offshore account or through certain foreign intermediaries.

(iii) No withholding of United States federal income tax will be required with respect to any gain or income realized by a Non-United States Holder upon the sale, exchange or other disposition of a new note.

(iv) If a Non-United States Holder cannot satisfy the requirements of the Portfolio Interest Exception described in (i) above, payments of interest made to such Non-United States Holder will be subject to a 30% withholding tax unless the beneficial owner of the new note provides the issuers or their paying agent, as the case may be, with a properly executed (1) IRS Form 1001 (or successor form) claiming an exemption from withholding under the benefit of a tax treaty or (2) IRS Form 4224 (or successor form) stating that interest paid on the new note is not subject to withholding tax because it is U.S. trade or business income to the beneficial owner. Under the Final Regulations, Non-United States Holders will generally be required to provide IRS Form W-8 instead of IRS Form 1001 and IRS Form 4224, although alternative documentation may be applicable in certain situations.

(c) If interest, including original issue discount, on the new note is U.S. trade or business income to the beneficial owner, the Non-United States Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest, including original issue discount, on a net income basis in the same manner as if it were a United States Holder. In addition, if such holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest, including original issue discount, on a new note will be included in such foreign corporation's earnings and profits.

(d) Any gain or income realized upon the sale, exchange, redemption, retirement or other disposition of a new note generally will not be subject to United States federal income tax unless (i) such gain or income is U.S. trade or business income, or (ii) in the case of a Non-United States Holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal, interest and original issue discount paid on new notes and to the proceeds of the sale of a new note made to United States Holders other than certain exempt recipients (such as corporations). A 31% backup withholding tax will apply to such payments if the United States Holder fails to provide a correct taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income.

In general, no information reporting or backup withholding will be required with respect to payments made by the issuers or any paying agent to Non-United States Holders if a statement described in (b)(i)(D) under "Non-United States Holders" has been received (and the payor does not have actual knowledge that the beneficial owner is a United States person).

In addition, backup withholding and information reporting may apply to the proceeds of the sale of a new note within the United States or conducted through certain U.S. related financial intermediaries unless the statement described in (b)(i)(D) under "Non-United States Holders" has been received (and the payor does not have actual knowledge that the beneficial owner is a United States person) or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be returned or credited against the holder's U.S. Federal income tax liability, provided that the required information is furnished to the IRS.

Holders of new notes should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such exemption.

PLAN OF DISTRIBUTION

A Broker-Dealer who holds old notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than those acquired directly from the issuers or their predecessors) may exchange such old notes in the exchange offer; provided however, that each such Participating Broker-Dealer may be deemed an "underwriter" under the Securities Act and therefore must deliver a prospectus in connection with any resales of new notes received on account of such old notes in the exchange offer. Accordingly, each Participating Broker-Dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with the resale of new notes received in exchange for old notes where such old notes were acquired as a result of market-making activities or other trading activities. The issuers have agreed that for a period of 180 days from the consummation of the exchange offer, they will make this prospectus, as amended or supplemented, available to any Participating Broker-Dealer for use in connection with any such resale.

The issuers will not receive any proceeds from any sales of the new notes by Participating Broker Dealers. New notes received by Participating Broker-Dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such Participating Broker-Dealer and/or the purchasers of any such new notes. Any Participating Broker-Dealer that resells the new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of new notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

With respect to resales of the new notes, based on interpretations by the staff of the Commission set forth in no-action letters issued to third parties, the issuers believe that a holder or other person who receives new notes, whether or not such person is the holder (other than a person that is an "affiliate" of any of the issuers within the meaning of Rule 405 under the Securities Act) who receives new notes in exchange for old notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the new notes, will be allowed to resell the new notes to the public without further registration under the Securities Act and without delivering to the purchasers of the new notes a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder acquires new notes in the exchange offer for the purpose of distributing or participating in a distribution of the new notes, such holder cannot rely on the position of the staff of the Commission enunciated in such no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction and such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act, unless an exemption from registration is otherwise available. Further, each Participating Broker-Dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities,

must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The issuers have agreed that, for a period of up to one year from the consummation of the exchange offer, it will make this prospectus available to any Participating Broker-Dealer for use in connection with any such resale.

LEGAL MATTERS

Certain legal matters relating to the issuance of the new notes will be passed upon for the issuers by Kirkland & Ellis, Chicago, Illinois.

AVAILABLE INFORMATION

The issuers have filed with the Commission a Registration Statement on Form S-4 (the "Registration Statement," which term shall encompass all amendments, exhibits, annexes and schedules thereto) pursuant to the Securities Act, and the rules and regulations promulgated thereunder, covering the exchange offer contemplated hereby. This prospectus does not contain all the information set forth in the Registration Statement. For further information with respect to the issuers and the exchange offer, reference is made to the Registration Statement. Statements made in this prospectus as to the contents of any contract, agreement, or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the document or matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The issuers are not currently subject to the periodic reporting and other informational requirements of the Securities Exchange Act. Upon the effectiveness of the Registration Statement, the issuers will become subject to the periodic reporting and other informational requirements of the Securities Exchange Act, and in accordance therewith, will be required to file periodic reports and other information with the SEC. The issuers have agreed that, whether or not they are required to do so by the rules and regulations of the SEC, for so long as any of the Notes remain outstanding, the issuers, on a combined consolidated basis, will furnish to the holders of the Notes:

- quarterly and annual financial statements substantially equivalent to financial statements that would have been included in a filing with the SEC on Forms 10-Q and 10-K if the issuers were required to file such financial information, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Issuers and, with respect to the annual information only, reports thereon by the issuers' independent public accountants, and

- all information that would be required to be filed with the SEC on Form 8-K if the issuers were required to file such reports.

In addition, for so long as any of the Notes remain outstanding, the issuers have agreed to furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered by Rule 144A(d)(4) under the Securities Act.

The Registration Statement may be inspected at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials may be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The SEC maintains a web site at http://www.sec.gov that contains reports and other information regarding registrants, like Avalon Cable Holdings, that file electronically with the SEC.

EXPERTS

The consolidated financial statements of Avalon Cable of Michigan Holdings, Inc. and Subsidiaries as of December 31, 1998 and for the period from June 2, 1998 (inception) through December 31, 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Cable Michigan Inc. and Subsidiaries as of December 31, 1997 and November 5, 1998, and for the year ended December 31, 1997 and the period from January 1, 1998 through November 5, 1998, included in this prospectus, have been audited so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Avalon Cable LLC as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Amrac Clear View, a Limited Partnership as of May 28, 1998 and for the period from January 1, 1998 through May 28, 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of 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.

The combined financial statements of Pegasus Cable Television of Connecticut, Inc. and the Massachusetts operations of Pegasus Cable Television, Inc. 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 PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Taconic CATV as of December 31, 1997 and 1998 and for the years then ended have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Avalon Cable Holdings Finance, Inc. as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Avalon Cable of Michigan, Inc. as of December 31, 1998 and for period from June 2, 1998 (inception) through December 31, 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

INDEX TO THE FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers
of Avalon Cable LLC

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement 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, 1998 and the results of their operations, changes in members' interest and their cash flows for the period from October 21, 1998 (inception), through December 31, 1998 in conformity with generally accepted accounting principles. The financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on the 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

New York, New York
March 30, 1999

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1998
(in thousands)

Assets	
Current assets:	
Cash	$ 217
Subscriber receivables, less allowance for doubtful accounts of $70	847
Prepaid expenses and other current assets	121
Total current assets	1,185
Property, plant and equipment, net	6,456
Intangible assets, net	30,804
Notes receivable--affiliate	15,171
Other assets	32
Total assets	$53,648
Liabilities and Members' Interest	
Current liabilities:	
Current portion of notes payable	$ 20
Accounts payable and accrued expenses	1,331
Accounts payable, net--affiliate	247
Deferred revenue	717
Accrued interest	121
Total current liabilities	2,436
Note payable, net of current portion	580
Note payable--affiliate	3,341
Total liabilities	6,357
Commitments and contingencies (Note 10)	
Members' interest:	
Members' capital	49,345
Accumulated deficit	(2,054)
Total member's interest	47,291
Total liabilities and member's interest	$53,648

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

For the Period from October 21, 1998 (inception) through December 31, 1998
(in thousands)

Revenue:	
Basic services	$ 1,117
Premium services	121
Other	61
Total revenues	1,299
Operating expenses:	
Selling, general and administrative	343
Programming	338
Technical and operations	136
Depreciation and amortization	440
Income from operations	42
Other income (expense):	
Interest income	177
Interest (expense)	(962)
Net loss before the extraordinary loss on early extinguishment of debt	(743)
Extraordinary loss on early extinguishment of debt	(1,311)
Net loss	$(2,054)

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 October 21, 1998 (inception) through December 31, 1998
(in thousands, except share data)

	Class A		Class B-1			Total
	Units	$	Units	$	Net Loss	Members' Interest
Balances at (inception) October 21, 1998	--	$ --	--	$ --	$ --	$ --
Issuance of Class A units	45,000	45,000	--	--	--	45,000
Issuance of Class B-1 units in consideration for Avalon New England	--	--	64,696	4,345	--	4,345
Net loss	--		--		(2,054)	(2,054)
Balance at December 31, 1998	45,000	$45,000	64,696	$4,345	$(2,054)	$ 47,291

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

From the Period from October 21, 1998 (inception) through December 31, 1998
In thousands

Cash flows from operating activities:	
Net loss	$ (2,054)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	440
Changes in operating assets and liabilities	
Increase in subscriber receivables	(30)
Increase in prepaid expenses and other current assets	(32)
Increase in accounts payable and accrued expenses	424
Net cash used in operating activities	(1,252)
Cash flows from investing activities:	
Increase in note receivable--affiliate	(15,362)
Capital expenditures	(157)
Net cash used in investing activities	(15,519)
Cash flows from financing activities:	
Contributions by members	46,588
Proceeds from issuance of notes payable-affiliates	33,070
Payment of terms loans and revolving credit facility	(29,600)
Payment of note payable to affiliates	(33,070)
Net cash provided by financing activities	16,988
Increase in cash	217
Cash, beginning of period	--
Cash, end of period	$ 217
Supplemental disclosures of cash flow information:	
Cash paid during the period for interest	$ 841
Non-cash contributions by members	$ 2,757

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

December 31, 1998

1. Basis of Presentation and Description of Business

Avalon Cable LLC ("Avalon"), and its wholly owned subsidiary Avalon Cable Holdings Finance, Inc ("Avalon Holdings Finance"), 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. 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) 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, 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 New England provides cable service to the western New England area. Avalon New England'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'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 principal sources of revenue for Avalon New England.

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 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.

Advertising costs

Advertising costs are charged to operations as incurred. Advertising costs were $11 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 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.

Property, plant and equipment

Property, plant 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. 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. 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. Accordingly, no recognition has been given to income taxes in the accompanying financial statements of the Company since the income or loss of the Company is to be included in the tax returns of the Parent.

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. Pending Acquisition

The Company has 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, which are included in current assets. The merger is expected to close in the second quarter of 1999.

5. Prepaid Expenses and Other Current Assets

At December 31, 1998, prepaid expenses and other current assets consist of the following:

Installation supplies	$ 51
Deferred transaction costs	41
Other	29
	$121

6. Property, Plant and Equipment

At December 31, 1998, property, plant and equipment consists of the following:

Cable plant and equipment	$6,435
Vehicles	97
Office furniture and fixtures	180
Buildings and improvements	83
	6,795
Less: accumulated depreciation	(339)
	$6,456

7. Intangible Assets

At December 31, 1998, intangible assets consist of the following:

	1998
Cable franchises	$30,711
Goodwill	1,223
Non-compete agreement	100
	32,034
Less: accumulated amortization	(1,230)
	$30,804

8. Accounts Payable and Accrued Expenses

At December 31, 1998, accounts payable and accrued expenses consist of the following:

Accrued corporate expenses	$ 404
Accrued programming costs	564
Taxes payable	276
Other	87
	$1,331

9. Debt

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 $1,311.

On November 6, 1998, Avalon New England became a co-borrower along with Avalon Cable Michigan, Inc. ("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 terminates 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 $1,390 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.

Subordinated Debt

In December 1998, Avalon New England became a co-issuer of a $150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering and the Company became a co-issuer of $196,000, accreted value, Senior Discount Notes ("Senior Discounts Notes") offering. In conjunction with these financings, 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 accrues 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. The Senior Discount Notes also mature on December 12, 2008, and interest accrues at a rate of 11.875% per annum on the principal amount at maturity on the Senior Discount Notes. Interest is payable semi-annually in arrears on December 31, 1999.

Note payable

The Company 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, the Company has a $100 non-compete agreement. The agreement calls for five annual payments of $20, commencing on May 29, 1999.

10. Commitments and Contingencies

Leases

The Company rents poles from utility companies for use in its operations. While rental agreements are generally short-term, the Company anticipates such rentals will continue in the future. The Company also leases office facilities and various items of equipment under month-to-month operating leases. Rent expense was $23 for the period from October 21 (inception) through December 31, 1998. Future minimum payments on equipment and office facilities under non-cancelable operating lease commitments approximates $112, $108, $105, $100 and $100 for the five years ended December 31, 2004.

Legal matters

The Company is subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

From time to time the Company 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 Company.

11. Related Party Transactions and Balances

The Company provides support services such as finance, accounting and human resources to Avalon New England and Avalon Cable of Michigan, Inc., who are related entities. All shared costs are allocated on the basis of average time spent servicing each entity. In the opinion of management, the methods used in allocating costs from the Company 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.

At December 31, 1998, the Company had an accounts payable, net--affiliate balance of $247, with Avalon Cable of Michigan, Inc.

In November 1998, Avalon New England loaned $33,200 to Avalon Finance Holdings. This note is recorded as a note receivable--affiliate on the balance sheet at December 31, 1998. The note matures on December 31, 2001. Interest accrues at a rate of 4.47% per year. During 1998, the Company received a payment with the remaining $15,171 payable on December 31, 2001. Accrued interest receivable of $102 has been recorded in connection with this note at December 31, 1998.

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.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(In thousands)

	March 31, 1999	December 31, 1998
	(Unaudited)	
Assets		
Current assets		
Cash	$ 13,227	$ 217
Subscriber receivables, less allowance for doubtful accounts of $957 and $70	6,210	847
Prepaid expenses and other current assets	741	121
Total current assets	20,178	1,185
Property, plant and equipment, net	115,200	6,456
Intangible assets, net	473,323	30,804
Notes receivable--affiliate	--	15,171
Other assets	94	32
Total assets	$608,795	$53,648
Liabilities and Members' Interest		
Current liabilities		
Current portion of notes payable	$ 20	$ 20
Accounts payable and accrued expenses	20,669	1,452
Accounts payable, net--affiliate	3,388	247
Deferred revenue	3,363	717
Total current liabilities	27,440	2,436
Note payable, net of current portion	442,727	580
Note payable--affiliate	--	3,341
Total liabilities	470,167	6,357
Commitments and contingencies (Note 4)		
Members' interests		
Members' capital	140,981	49,345
Accumulated deficit	(2,353)	(2,054)
Total members' interest	138,628	47,291
Total liabilities and members' interest	$608,795	$53,648

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC and SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Revenue	
Basic services	$2,971
Premium services	230
Other	350
Total revenues	3,551
Operating expenses	
Selling, general and administrative	719
Programming	900
Technical and operations	449
Depreciation and amortization	1,310
Income from operations	173
Other income (expense)	
Interest income	36
Interest expense	(508)
Net Loss	$ (299)

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTEREST
(In thousands, except share data)

	For the Quarter Ended March 31, 1999 (unaudited)					
	Class A		Class B-1			
	Units	$	Units	$	Net Loss	Total Members' Interest
	(Unaudited)					
Balance at December 31, 1998	45,000	$45,000	64,696	$ 4,345	$(2,054)	$ 47,291
Contribution of assets and liabilities of Avalon Cable of Michigan, Inc.	--	--	510,994	91,636	--	91,636
Net loss for the quarter ended March 31, 1999	--	--	--	--	(299)	(299)
Balance at March 31, 1999	45,000	$45,000	575,690	$95,981	$(2,353)	$138,628

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Cash flows from operating activities	
Net loss	$ (299)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	1,310
Amortization of deferred financing cost	90
Changes in operating assets and liabilities	
Increase in subscriber receivables	(221)
Increase in prepaid expenses and other assets	(214)
Increase in accounts payable and accrued expenses	843
Increase in accounts payable, net--affiliate	401
Net cash provided by operating activities	1,910
Cash flows from investing activities	
Capital expenditures	(197)
Payments for acquisitions	(3,350)
Net cash used in investing activities	(3,547)
Cash flows from financing activities	
Cash contributed by member	11,747
Proceeds from issuance of notes payable--affiliate	2,900
Net cash provided by financing activities	14,647
Increase in cash	13,010
Cash, beginning of period	217
Cash, end of period	$13,227
Non-cash investing and financing activities:	
Contribution of net assets, net of cash contributed in exchange for stock	$79,889

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

March 31, 1999

1. Description of Business

Avalon Cable LLC ("the Company"), and its wholly owned subsidiary Avalon Cable Holdings Finance, Inc ("Avalon Holdings Finance"), 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. 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) 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, 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.

In March 1999, after the acquisition of the remaining 38% of Mercom, Inc. through a merger of Mercom into Avalon Cable of Michigan, Inc., and in order to facilitate certain aspects of the financing of such acquisition, the following series of transactions refer to as the "Reorganization" were completed:

- Avalon Cable of Michigan, Inc. transferred substantially all of its assets and liabilities to the Company, which then transferred those assets and liabilities to Avalon Cable of Michigan LLC and, as a result, Avalon Cable of Michigan LLC now operates the Michigan cluster;

- 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 Cable of Michigan LLC became an additional obligor on the Senior Subordinated Notes; 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 Cable of Michigan LLC under the Senior Subordinated Notes and the credit facility.

This reorganization is not expected to impact the operations of our Michigan cluster.

Avalon New England and Avalon Cable Michigan provide cable service to the western New England area and the state of Michigan, respectively. Avalon New England and Avalon Cable 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 Cable 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 Cable 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.

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 March 31, 1999 and for the three month period then ended are unaudited; however, in the opinion of management, such statements include all adjustments necessary to present fairly the financial information included therein.

3. Pending Acquisition

The Company has a definitive agreement to purchase all of the cable systems of Taconic Technology Corporation for approximately $8,525 (excluding transaction fees). The merger is expected to close in the second quarter of 1999.

4. Commitments and Contingencies

Legal matters

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.

Mercom Acquisition

In connection with the acquisition of Mercom, former shareholders of Mercom constituting approximately 16.5% of all outstanding Mercom common shares gave notice of their election to exercise appraisal rights as provided by Delaware law. The Company cannot predict at this time the effect of these elections on the Company or the extent to which these former shareholders will continue to pursue appraisal rights and seek an appraisal proceeding 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, the Company makes no assurance that a Delaware court would not find that the fair value of these shares for such

purpose is in excess of the $12.00 per Mercom share that the Company paid in the acquisition or that the ultimate outcome would not have a material adverse effect on the Company. The Company has already provided for the consideration due under the terms of our merger with Mercom with respect to these shares.

5. Subsequent Event

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt. The acquisition by Charter Communications is subject to regulatory approvals. The Company expects to consummate this transaction in the fourth quarter of 1999.

This agreement, if closed, would constitute a change in control under the Indenture pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. The Indenture provides that upon the occurrence of a change of control of the Company (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to $1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon (or 101% of the accreted value for the Senior Discount Notes as of the date of purchase if prior to the full accretion date) plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture) thereof, if any, to the date of purchase.

This agreement, if closed, would represent a Change of Control which, on the closing date, constitutes an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable. Charter Communications has agreed to repay all amounts due under the Credit Facility or cause all events of default under the Credit Facility arising from the Change of Control to be waived.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of
Avalon Cable of Michigan Holdings, Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, 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, 1998, and the results of their operations, changes in shareholders' equity and their cash flows for the period from June 2, 1998 (inception) to December 31, 1998, in conformity with generally accepted accounting principles. The financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with 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 statements presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

New York, New York
March 30, 1999

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1998
(in thousands)

ASSETS	
Cash	$ 9,071
Accounts receivable, net of allowance for doubtful accounts of $873	5,015
Prepayments and other current assets	1,267
Accounts receivable from related parties	371
Deferred income taxes	377
Current assets	16,101
Property, plant and equipment, net	104,965
Intangible assets, net	431,313
Deferred charges and other assets	1,270
Total assets	$553,649
LIABILITIES AND SHAREHOLDERS' EQUITY	
Accounts payable and accrued expenses	$ 10,194
Advance billings and customer deposits	2,454
Accounts payable--affiliate	2,023
Current liabilities	14,671
Long-term debt	402,369
Notes payable--affiliate	15,171
Deferred income taxes	80,811
Total liabilities	513,022
Commitments and contingencies (Note 10)	--
Minority interest	13,855
Stockholders equity:	
Common stock	--
Additional paid-in capital	35,000
Accumulated deficit	(8,228)
Total shareholders' equity	26,772
Total liabilities and shareholders' equity	$553,649

The accompanying notes are an integral part of
these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Period from June 2, 1998 (inception) through December 31, 1998
(dollars in thousands)

Revenue:	
Basic services	$11,119
Premium services	1,036
Other	1,502
	13,657
Operating expenses:	
Selling, general and administrative	2,719
Programming	3,281
Technical and operations	1,718
Depreciation and amortization	6,614
Loss from operations	(675)
Interest income	173
Interest (expense)	(6,957)
Other (expense), net	(65)
(Loss) before income taxes	(7,524)
(Benefit) from income taxes	(2,754)
(Loss) before minority interest and extraordinary item	(4,770)
Minority interest in loss of consolidated entity	(398)
(Loss) before extraordinary item	(5,168)
Extraordinary loss on extinguishment of debt (net of tax of $1,743)	(3,060)
Net loss	$(8,228)

The accompanying notes are an integral part of
these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Period from June 2, 1998 (inception) through December 31, 1998
(in thousands, except share amounts)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, June 2, 1998...	100	$--	$ --	$ --	$ --
Net loss from date of inception through December 31, 1998.....	--	--	--	(8,228)	(8,228)
Contributions by parent.	--	--	35,000	--	35,000
Balance, December 31, 1998.....	100	$--	$35,000	$(8,228)	$26,772

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from June 2, 1998 (inception) through December 31, 1998
(in thousands)

Cash flows from operating activities:	
Net (loss)	$ (8,228)
Extraordinary loss on extinguishment of debt	3,060
Depreciation and amortization	6,414
Deferred income taxes, net	10,369
Provision for loss on accounts receivable	75
Increase (decrease) in minority interest	398
Net change in certain assets and liabilities, net of business acquisitions	
Increase in accounts receivable	(832)
Increase in prepayment and other current assets	(446)
Increase in accounts payable and accrued expenses	6,869
Increase in deferred revenue	967
Net cash used by operating activities	18,646
Cash flows from investing activities:	
Additions to property, plant and equipment	(4,673)
Payment for acquisition	(431,629)
Net cash used in investing activities	(436,302)
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 the issuance of note payable affiliate	33,200
Payments made on note payable--affiliate	(18,037)
Payments made for debt financing costs	(2,978)
Proceeds from the issuance of common stock	35,000
Net cash provided by financing activities	419,427
Net increase in cash	1,771
Cash at beginning of the period	7,300
Cash at end of the period	$ 9,071
Supplemental disclosures of cash flow information	
Cash paid during the year for	
Interest	$ 2,639
Income taxes	--

The accompanying notes are an integral part of
these consolidated financial statements.

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. 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 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, Inc. ("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 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.

In March 1999, after the acquisition of Mercom, Inc. Avalon Michigan completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- Avalon Cable of Michigan LLC has become the operator of the Michigan cluster replacing Avalon Cable of Michigan, Inc.;
- Avalon Cable of Michigan LLC 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 Cable of Michigan LLC under the Senior Subordinated Notes. Avalon Cable of Michigan, Inc. does not have significant assets, other than its investment in Avalon Cable LLC.

Avalon Michigan provides cable services to various areas in the state of Michigan. Avalon Michigan'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 Michigan'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.

(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.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was $39.

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. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests' share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based on the following lives:

Buildings	25 years
Cable television distribution equipment	5-12 years
Vehicles	5years
Other equipment	5-10years

(December 31, 1998

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.

(December 31, 1998

3. Merger

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 as determined through the use of an independent appraisal. The excess of consideration paid over the fair market value of the net assets acquired was $81,705, and is being amortized using the straight line method over 15 years, its estimated economic life.

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.

Following is the unaudited pro forma results of operations for the year ended December 31, 1998, as if the Merger occurred on January 1, 1998:

	December 31, 1998
	(Unaudited)
Revenue	$ 88,178
Loss from operations	$ (4,664)
Net loss	$(30,989)

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.

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

Cable plant	$100,167
Vehicles	2,475
Buildings and improvements	2,151
Office furniture and fixtures	846
Construction in process	768
Total property, plant and equipment	106,407
Less--accumulated depreciation	(1,442)
Property, plant and equipment, net	$104,965

Depreciation expense was $1,442 for period from inception (June 2, 1998) to December 31, 1998.

5. Intangible Assets

Intangible assets consist of the following:

Cable Franchise	$344,063
Goodwill	81,705
Deferred Financing Costs	10,657
Total	436,425
Less--accumulated amortization	(5,112)
Intangible assets, net	$431,313

Amortization expense charged to operations in during the period from inception (June 2, 1998) through December 31, 1998 was $5,112.

6. Account payable and accrued expenses consist of the following:

Accounts payable	$ 5,321
Accrued cable programming costs	1,824
Accrued taxes	1,107
Other	1,942
	$10,194

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	$(7,524)
Federal tax (benefit) at statutory rates	(2,633)
State income taxes	(198)
Goodwill	77
(Benefit) for income taxes	(2,754)

Year	Tax Net Operating Losses	Expiration Date
1998	$10,360	2018

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	(75,538)
Total deferred liabilities	(86,173)
Subtotal	(80,150)
Valuation allowance	--
Total deferred taxes	(80,150)

The tax benefit related to the loss on extinguishment of debt results in deferred tax, and it approximating 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	$150,000
Senior subordinated notes	140,875
Senior discount notes	111,494
	402,369
Current portion	--
	$402,369

Credit Facility

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 terminates 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 $140,875 outstanding under the 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 tranch 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 Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, Avalon Cable Finance Holdings, Inc., Avalon Cable of New England Holdings, Inc. and Avalon Cable Holdings, LLC.

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 ("Senior Discount Notes") 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 $75 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 Discount Notes mature on December 1, 2008. Until December 1, 2003, interest will not be paid currently on the Senior Discount Notes, but the accreted value will increase (representing original issue discount) between the date of original issuance and December 1, 2003. Beginning on December 1, 2003, interest will accrue 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, to holders of record on the immediately preceding May 15 and November 15. Original issue discount accretion on the Senior Discount Notes was $1,083 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:

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.

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. 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.

10. Commitments and Contingencies

Leases

Total rental expense, primarily for office space and pole rental, was $43. 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 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.

11. Related Party Transactions and Balances

In November 1998, Avalon Michigan received $33,200 from Avalon Finance. In consideration for this amount, Avalon Michigan executed a note payable to Avalon Finance. The note matures on December 31, 2001. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at a rate of 4.47% per year, and is payable on December 31, 2001. Accrued interest receivable of $102 has been recorded in connection with this note at December 31, 1998. On December 10,1998, Avalon Michigan made a partial payment of $18,130 against this note payable-affiliate to Avalon Finance.

Avalon Michigan receives support services such as finance, accounting and human resources from Avalon Cable LLC, a related party. All shared costs are allocated on the basis of average time spent servicing each entity. In the opinion of management, the methods used in allocating costs from Avalon Cable LLC 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. For the period ended December 31, 1998, the Company was allocated charges related to such services of $250. The Company had a payable of $250 related to these services at December 31, 1998.

At December 31, 1998, the Company had an accounts receivable-affiliate balance of $247 with Avalon Cable LLC.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(In thousands)

	March 31, 1999	December 31, 1998
	(Unaudited)	
Assets		
Cash	$ 13,227	$ 9,071
Accounts receivable, net of allowance for doubtful accounts of $957 and $873	6,210	5,015
Prepayments and other current assets	1,549	1,267
Accounts receivable from related parties	--	371
Deferred income taxes	377	377
Current assets	21,363	16,101
Property, plant and equipment, net	115,200	104,965
Intangible assets, net	473,323	431,313
Deferred charges and other assets	1,169	1,270
Total assets	611,055	553,649
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 20,689	$ 10,194
Advance billings and customer deposits	3,363	2,454
Accounts payable--affiliate	3,388	2,023
Current liabilities	27,440	14,671
Long-term debt	442,727	402,369
Notes payable--affiliates	--	15,171
Deferred income taxes	74,053	80,811
Total liabilities	544,220	513,022
Commitments and contingencies (Note 4)		
Minority interest	47,495	13,855
Stockholders' equity		
Common stock	--	--
Additional paid-in capital	35,000	35,000
Accumulated deficit	(15,660)	(8,228)
Total stockholders' equity	19,340	26,772
Total liabilities and shareholders' equity	$611,055	$553,649

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Revenue	
Basic services	$ 18,153
Premium services	1,843
Other	2,371
Total Revenue	22,367
Operating expenses	
Selling, general and administrative	3,716
Programming	6,293
Technical and operations	2,496
Depreciation and amortization	10,126
Loss from operations	(264)
Interest income	318
Interest expense	(11,836)
Loss before income taxes	(11,782)
Benefit from income taxes	4,286
Loss before minority interest and extraordinary item	(7,496)
Minority interest in loss of consolidated entity	64
Net loss	$ (7,432)

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
(In thousands)

	For the Quarter Ended March 31, 1999				
	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	(Unaudited)				
Balance, December 31, 1998	100	$ --	$35,000	$ (8,228)	$26,772
Net loss for the quarter ended March 31, 1999				(7,432)	(7,432)
Balance, March 31, 1999	100	$ --	$35,000	$ (15,660)	$19,340

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Cash flows from operating activities	
Net loss	$(7,432)
Depreciation and amortization	10,126
Increase (decrease) in minority interest	(398)
Net change in certain assets and liabilities, net of business acquisitions	
Increase in accounts receivable	(942)
Decrease in accounts receivable--related parties	371
Increase in prepayment and other current assets	(275)
Increase in accounts payable and accrued expenses	10,436
Increase in deferred revenue	2,213
Decrease in other assets	101
Deferred income taxes, net	(7,188)
Net cash provided by operating activities	7,012
Cash flows from investing activities	
Additions to property, plant and equipment	(9,210)
Payment for acquisitions	(34,004)
Net cash used in investing activities	(43,214)
Cash flows from financing activities	
Proceeds from the issuance of the Credit Facility	40,358
Net cash provided by financing activities	40,358
Net increase in cash	4,156
Cash at beginning of the period	9,071
Cash at end of the period	$13,227

The accompanying notes are an integral part of these financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(In thousands)

March 31, 1999

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. and Avalon Michigan, pursuant to which Cable Michigan, Inc. will merge into Avalon Michigan and Avalon 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, Inc. (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 March 26, 1999, after the acquisition of Mercom, Avalon Michigan completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- The Company contributed the Senior Discount Notes and associated debt finance costs to Avalon Michigan.
- 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 March 31, 1999.

Avalon Cable LLC provides cable services to various areas in the state of Michigan and New England. Avalon Cable 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 Cable 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 Avalon Cable LLC.

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.

These condensed financial statements should be read in conjunction with the Company's audited financial statements at December 31, 1998 and notes thereto included elsewhere herein.

The financial statements as of March 31,1999 and for the three month period then ended are unaudited; however, in the opinion of management, such statements include all adjustments necessary to present fairly the financial information included therein.

3. Merger

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.

In connection with the acquisition of Mercom, former shareholders of Mercom constituting approximately 16.5% of all outstanding Mercom common shares gave notice of their election to exercise appraisal rights as provided by Delaware law. The Company cannot predict at this time the effect of these elections on the Company or the extent to which these former shareholders will continue to pursue appraisal rights and seek an appraisal proceeding 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, the Company makes no assurance that a Delaware court would not find that the fair value of these shares for such purpose is in excess of the $12.00 per Mercom share that the Company paid in the acquisition or that the ultimate outcome would not have a material adverse effect on the Company. The Company has already provided for the consideration due under the terms of our merger with Mercom with respect to these shares.

4. Commitments and Contingencies

Legal matters

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.

5. 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 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 Board of Directors
of Avalon Cable Holdings Finance, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations and of cash flows present fairly, in all material respects, the financial position of Avalon Cable Holdings Finance, Inc. and its subsidiary (the "Company") as of December 31, 1998 and the results of their operations and their cash flows for the period from October 21, 1998 (inception) through December 31, 1998, in conformity with generally accepted accounting principles. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of these consolidated statements in accordance with generally accepted auditing standards which requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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

New York, New York
March 30, 1999

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
December 31, 1998
(in thousands, except share amounts)

Assets	
Cash	$ --
Note receivable--affiliate	15,171
Total assets	$15,171
Liabilities and stockholder's equity	
Note payable--affiliate	$15,171
Total liabilities	15,171
Commitments and contingencies (Note 5)	
Common stock, par value of $.01; authorized 1,000 shares; issued 100 shares	--
Total stockholder's equity	--
Total liabilities and stockholder's equity	$15,171

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
For the Period from October 21, 1998 (inception) through December 31, 1998
(in thousands)

Revenue	$ --
Operating expenses	--
Income from operations	--
Other income (expense):	
Interest income	177
Interest (expense)	(177)
Net income	$ --

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period from October 21, 1998 (inception) through December 31, 1998
(in thousands)

Cash flows from financing activities:	
Net proceeds from issuance of note payable--affiliate	$ 15,171
Receipts for payments on note receivable--affiliate	(15,171)
Net cash provided by financing activities	--
Cash, end of period	$ --
Supplemental disclosures of cash flow information	
Cash paid during the year for:	
Interest	$ 75

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands)

December 31, 1998

1. Basis of Presentation and Description of Business

Avalon Cable Holdings Finance, Inc. (the "Company") was formed in October 1998, pursuant to the laws of Delaware, as a wholly owned subsidiary of Avalon Cable Holdings LLC, for the sole purpose of facilitating financings associated with the acquisitions of various cable television companies. The Company conducts no other activities.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Avalon Cable Finance, Inc. ("Avalon Finance"). All significant transactions between the Company and its subsidiary have been eliminated.

Use of estimates

The preparation of the consolidated 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 consolidated financial statements as well as the reported amounts of revenues and expenses during the reported period. Actual results may vary from estimates used.

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.

Accounting for income taxes

The Company has prepared its income tax provision using the liability method in accordance with Financial Accounting Standards Board statement 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities and are measured using tax rates that will be in effect when the differences are expected to reverse. As of December 31, 1998 the Company has no deferred tax assets or liabilities and no tax provision to record.

3. Related Party Transactions

In November 1998, Avalon Finance received $33,200 from Avalon Cable of New England LLC ("Avalon New England"). In consideration for this amount, Avalon Finance executed a note payable to Avalon New England. The note matures on December 31, 2001. Interest accrues at a rate of 4.47% per year, and is payable in arrears on December 31, 2001. This note is recorded as note payable--affiliate on the consolidated balance sheet at December 31, 1998. Avalon Finance has recorded accrued interest payable on this note of $102 at December 31, 1998.

In November 1998, the Company loaned $33,200 to Avalon Cable of Michigan, Inc. ("Avalon Michigan") in order to assist Avalon Michigan in consummating its acquisition of Cable Michigan, Inc. The note matures on December 31, 2001. Interest accrues at a rate of 4.47% per year, and is payable in arrears on December 31, 2001. This note is recorded as note receivable--affiliate on the consolidated balance sheet at December 31, 1998. Accrued interest receivable of $102 has been recorded in connection with this note at December 31, 1998.

4. Debt

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 acquisitions 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 $1,310, which has been recorded as an extraordinary item by Avalon New England.

On November 6, 1998, Avalon Finance became a co-borrower along with Avalon Cable Michigan, Inc. ("Avalon Michigan") and Avalon Cable of New England LLC ("Avalon New England"), 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 facilities terminate 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 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. The Company and Avalon New England 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% per annum 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 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 $1,390 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 Finance, Avalon Cable of New England Holdings, Inc., Avalon Cable Holdings, LLC and Avalon Cable LLC.

Subordinated debt

In December 1998, Avalon Finance became a co-issuer of an $150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering and the Company became a co-issuer of an $196,000, accreted value, Senior Discount Notes ("Senior Discounts Notes") offering. In conjunction with these financings, Avalon Finance 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 of $18,206 were used by Avalon Finance to make a partial principal payment of $18,130 on its note payable--affiliate and an interest payment of $75 to Avalon New England.

The Subordinated Notes mature on December 1, 2008, and interest accrues 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. The Senor Discount Notes also mature on December 1, 2008, and interest accrues at a rate of 11.875% per annum on the principal amount at maturity on the Senior Discount Notes. Interest is payable semi-annually in arrears on December 31, 1999.

5. Commitment and Contingencies

From time to time, the Company is 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 financial position of the Company.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(in thousands, except share amounts)

	March 31, 1999	December 31, 1998
	(Unaudited)	
Assets		
Note receivable--affiliate	$15,338	$15,171
Total assets	$15,338	$15,171
Liabilities and Stockholder's Equity		
Note payable--affiliate	$15,338	$15,171
Total liabilities	15,338	15,171
Common stock, par value of $.01; authorized 1,000 shares; issued 100 shares	--	--
Total stockholder's equity	--	--
Total liabilities and stockholder's equity	$15,338	$15,171

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Revenue	$--
Operating expenses	--
Income from operations	--
Other income/(expense)	
Interest income	167
Interest expense	(167)
Net income	$--

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	For the Quarter Ended March 31, 1999
Cash flows from operating activities	
Change in note payable--affiliate	$ 167
Change in note receivable--affiliate	(167)
Net cash provided by financing activities	--
Cash, end of period	$ --

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE HOLDINGS FINANCE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1999

1. Description of Business

Avalon Cable Holdings Finance, Inc. (the "Company") was formed in October 1998, pursuant to the laws of Delaware, as a wholly owned subsidiary of Avalon Cable LLC, for the sole purpose of facilitating financings associated with the acquisitions of various cable television companies. The Company 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.

These condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements at December 31, 1998 and notes thereto included elsewhere herein.

The financial statements as of March 31, 1999 and for the three month period then ended are unaudited; however, in the opinion of management, such statements include all adjustments necessary to present fairly the financial information included therein.

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

ASSETS	December 31, 1997	November 5, 1998
	(dollars in thousands)	
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,		For the Period from January 1, 1998 to November 5,
	1996	1997	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)	$ (1.45)
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,		For the Period from January 1, 1998 to
	1996	1997	November 5, 1998
	(dollars in thousands)		
Cash flows from operating activities			
Net (loss)	$ (8,256)	$ (4,358)	$(10,534)
Gain on pension curtailment/settlement	(855)	--	--
Depreciation and amortization	31,427	32,082	28,098
Deferred income taxes, net	988	(4,359)	(3,360)
Provision for losses on accounts receivable	843	826	710
Gain on sale of Florida cable systems	--	(2,571)	--
Increase (decrease) in minority interest	(1,151)	(53)	47
Other non-cash items	2,274	1,914	--
Net change in certain assets and liabilities, net of business acquisitions			
Accounts receivable and customer deposits	(1,226)	(617)	(2,054)
Accounts payable	1,365	2,234	2,806
Accrued expenses	125	580	52
Accrued taxes	(99)	61	868
Accounts receivable from related parties	567	1,549	(230)
Accounts payable to related parties	1,314	(8,300)	(1,217)
Other, net	501	(644)	(158)
Net cash provided by operating activities	27,817	18,344	15,028
Cash flows from investing activities			
Additions to property, plant and equipment	(9,605)	(14,041)	(18,697)
Acquisitions, net of cash acquired	--	(24)	--
Proceeds from sale of Florida cable systems	--	3,496	--
Other	390	560	--
Net cash used in investing activities	(9,215)	(10,009)	(18,697)
Cash flows from financing activities			
Issuance of long-term debt	--	128,000	--
Redemption of long-term debt	(1,500)	(17,430)	(8,000)
Proceeds from the issuance of common stock	--	-	543
Transfers from CTE	--	12,500	--
Change in affiliate notes, net	(16,834)	(116,836)	--
Payments made for debt financing costs	--	(647)	--
Net cash provided by (used in) financing activities	(18,334)	5,587	(7,457)
Net increase/(decrease) in cash and temporary cash investments	268	13,922	(11,126)
Cash and temporary cash investments at beginning of year	3,029	3,297	17,219
Cash and temporary cash investments at end of year	$ 3,297	$ 17,219	$ 6,093

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,		For the Period from January 1, 1998 to November 5,
	1996	1997	1998
	(dollars in thousands)		
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.

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,
	1996	1997	1998
(Loss) before (benefit) for income taxes	$(15,119)	$(8,525)	$(12,368)
Federal tax (benefit) at statutory rates	(5,307)	(2,899)	(4,329)
State income taxes	--	--	(101)
Goodwill	175	171	492
Increase (decrease) in valuation allowance	(518)	(1,190)	--
Nondeductible expenses	--	147	2,029
Benefit of rate differential applied to reversing timing differences	--	(424)	--
Other, net	(62)	81	--
(Benefit) for income taxes	$ (5,712)	$(4,114)	$ (1,909)

Mercom, which files a separate consolidated income tax return, has the following net operating losses available:

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,		For the Period from January 1, 1998 to November 5,
	1996	1997	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.

10. 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.

11. 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.

13. Affiliate and Related Party Transactions

The Company has the following transactions with affiliates:

	For the Year Ended		For the Period Ended
	1996	1997	November 5, 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.

14. 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.

15. Disclosures about Fair value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. The fair value of the revolving credit agreement is considered to be equal to carrying value since the debt re-prices at least every six months and the Company believes that its credit risk has not changed from the time the floating rate debt was borrowed and therefore, would obtain similar rates in the current market.

b. The fair value of the cash and temporary cash investments approximates fair value because of the short maturity of these instruments.

16. 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.

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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, 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

ASSETS	1996	1997
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.

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

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

ASSETS	December 31, 1996	December 31, 1997	June 30, 1998
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 June 30,
	1995	1996	1997	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,			Six Months Ended June 30,
	1995	1996	1997	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.

2. Summary of Significant Accounting Policies--(continued):

Depreciation is computed for financial reporting purposes using the straight-line method based upon the following lives:

Reception and distribution facilities	7 to 11 years
Building and improvements	12 to 39 years
Equipment, furniture and fixtures	5 to 10 years
Vehicles	3 to 5 years

Intangible Assets:

Intangible assets are stated at cost and amortized by the straight-line method. Costs of successful franchise applications are capitalized and amortized over the lives of the related franchise agreements, while unsuccessful franchise applications and abandoned franchises are charged to expense. Financing costs incurred in obtaining long-term financing are amortized over the term of the applicable loan. Intangible assets are reviewed periodically for impairment or whenever events or circumstances provide evidence that suggest that the carrying amounts may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the amortization of the respective intangible asset balance can be recovered through projected undiscounted future cash flows.

Amortization of intangible assets is computed for financial reporting purposes using the straight-line method based upon the following lives:

Organization costs	5 years
Other intangibles	5 years
Deferred franchise costs	15 years

Revenue:

The Combined Operations recognize revenue when video and audio services are provided.

Advertising Costs:

Advertising costs are charged to operations as incurred and totaled $20,998, $12,768, $14,706 and $8,460 for the years ended December 31, 1995, 1996 and 1997 and for the six months ended June 30, 1998, respectively.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less. The Combined Operations have cash balances in excess of the federally insured limits at various banks.

Income Taxes:

The Combined Operations is not a separate tax paying entity. Accordingly, its results of operations have been included in the tax returns filed by PCC. The accompanying financial statements include tax computations assuming the Combined Operations filed separate returns and reflect the application of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109").

Concentration of Credit Risk:

Financial instruments which potentially subject the Combined Operations to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Combined Operation's customer base.

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.

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.

9. Employee Benefit Plans (continued):

All employee contributions to the 401(k) Plans are fully vested at all times and all Company contributions, if any, vest 34% after two years of service with the Company (including years before the 401(k) Plans were established), 67% after three years of service and 100% after four years of service. A participant also becomes fully vested in Company contributions to the 401(k) Plans upon attaining age 65 or upon his or her death or disability.

10. Commitments and Contingent Liabilities:

Legal Matters:

The operations of PCT-CT and PCT-MA are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

From time to time the Combined Operations are also involved with claims that arise in the normal course of business. In the opinion of management, the ultimate liability with respect to these claims will not have a material adverse effect on the operations, cash flows or financial position of the Combined Operations.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Taconic Technology Corp.

We have audited the balance sheets of Taconic CATV (a component of Taconic Technology Corp. as described in note 1) as of December 31, 1997 and 1998, and the related statements of operations and component equity, and cash flows for the years then ended. 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 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 Taconic CATV (a component of Taconic Technology Corp.) at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG LLP

Albany, New York
March 23, 1999

TACONIC CATV
(a component of Taconic Technology Corp.)

BALANCE SHEETS

December 31, 1997 and 1998 and March 31, 1999 (unaudited)

	December 31, 1997	December 31, 1998	March 31, 1999 (unaudited)
ASSETS			
Cash	$ --	$ --	$ --
Accounts receivable, net of allowance of $23,177 in 1997 and $16,968 in 1998	109,834	55,435	31,453
Receivable from related entities	--	457,987	590,897
Inventories	135,192	116,627	106,377
Prepaid expenses	28,230	21,252	34,597
Property and equipment, net	2,030,428	1,692,175	1,606,968
Other assets, net	33,441	28,607	28,412
	$2,337,125	$2,372,083	$2.398,704
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses	$ 338,324	$ 294,073	$ 288,787
Payable to related entities	27,917	--	--
Deferred income taxes	386,879	370,663	359,139
Bank debt	792,501	--	--
	1,545,621	664,736	647,926
Component equity	791,504	1,707,347	1,750,778
	$2,337,125	$2,372,083	$2,398,704

See accompanying notes to financial statements.

TACONIC CATV
(a component of Taconic Technology Corp.)

STATEMENTS OF OPERATIONS AND COMPONENT EQUITY

Years ended December 31, 1997 and 1998 and

Three months ended March 31, 1998 and 1999 (unaudited)

	December 31,		March 31,	
	1997	1998	1998	1999
Revenues	$2,004,672	2,085,964	489,036	522,950
Operating expenses:				
Technical and operating	841,528	948,484	223,256	239,789
Salaries, general and administrative	470,830	451,413	128,222	106,309
Depreciation and amortization	425,569	425,556	107,173	105,133
	1,737,927	1,825,453	458,651	451,231
Operating income	266,745	260,511	30,385	71,719
Other income (expense):				
Interest income	1,019	--	--	--
Interest expense	(79,322)	(17,192)	(17,192)	--
Income before income taxes	188,442	243,319	13,193	71,719
Income taxes	75,377	97,328	5,277	28,288
Net income	113,065	145,991	7,916	43,431
Component equity at beginning of year	678,439	791,504	791,504	1,707,347
Repayment of debt by ultimate parent company (note 4)	--	769,852	769,852	--
Component equity at end of year	$ 791,504	1,707,347	1,569,272	1,750,778

See accompanying notes to financial statements.

TACONIC CATV
(a component of Taconic Technology Corp.)

STATEMENT OF CASH FLOWS
Years ended December 31, 1997 and 1998

Three months ended March 31, 1998 and 1999 (unaudited)

	December 31,		March 31,	
	1997	1998	1998	1999
Cash flows from operating activities:				
Net income	$ 113,065	145,991	7,916	43,431
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	425,569	425,556	107,173	105,133
Provision for deferred taxes	58,199	(17,542)	(3,591)	(12,722)
(Increase) decrease in accounts receivable	(6,590)	54,399	28,918	23,982
Increase in receivable from related entities	--	(457,987)	--	(132,910)
Decrease in inventories	87,681	18,565	33	10,250
(Increase) decrease in prepaid expenses	6,964	6,978	(23,107)	(13,345)
Increase (decrease) in accounts payable and accrued expenses	111,531	(44,251)	(27,275)	(5,286)
Decrease in payable to related entities	(429,460)	(27,917)	(52,926)	--
Net cash provided by operating activities	366,959	103,792	37,141	18,533
Cash flows from investing activities:				
Capital expenditures	(213,626)	(81,143)	(14,492)	(18,533)
Net cash used by investing activities	(213,626)	(81,143)	(14,492)	(18,533)
Cash flows from financing activities:				
Principal payment on bank debt	(153,333)	(22,649)	(22,649)	--
Net cash used by financing activities	(153,333)	(22,649)	(22,649)	--
Net increase in cash	--	--	--	--
Cash at:				
Beginning of year	--	--	--	--
End of year	$ --	--	--	--
Supplemental schedule of non-cash financing activities:				
Decrease in bank debt resulting from repayment by ultimate parent company and contribution to capital	$ --	769,852	769,852	--

See accompanying notes to financial statements.

TACONIC CATV
(a component of Taconic Technology Corp.)

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1998

(Information with respect to the three months ended March 31, 1998 and 1999 is unaudited)

(1) Basis of Presentation

The accompanying financial statements present the assets and liabilities, operating results and cash flows of the cable television component of Taconic Technology Corp. On July 10, 1998 the ultimate parent company of Taconic Technology Corp. signed a letter of intent with Avalon Cable of New England, LLC for the purchase of the assets of the cable component of Taconic Technology Corp. ("Taconic CATV"). The asset purchase agreement, requires that separate financial statements be presented for Taconic CATV without giving effect to purchase accounting adjustments. The accompanying financial statements of Taconic CATV have been prepared on a going concern basis and reflect all activity as if Taconic CATV were a separate operating unit. The accompanying balance sheets have been prepared assuming that all available cash has been used to reduce the payable to related entities or transferred to related entities. The accompanying statements of operations include an allocation of general administrative costs incurred by the parent of Taconic Technology Corp. This allocation is based upon cost studies.

Taconic CATV operates a cable television service and derives substantially all of its revenue from providing cable services to residential subscribers.

(2) Summary of Significant Accounting Policies

(a) Revenue Recognition

Taconic CATV recognizes cable television revenue as services are provided to subscribers. Revenue derived from other sources are recognized when services are provided or events occur.

(b) Inventories

Inventories are stated at the lower of average cost or market and consist primarily of materials and supplies.

(c) Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and those substantially increasing the useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred.

For book purposes, depreciation is provided on a straight line basis over the estimated useful lives which range from five to twenty years.

(d) Income Taxes

For the accompanying financial statements, income tax expense have been calculated as if Taconic CATV were a separate tax paying entity. Income taxes are provided based upon the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the liability method of accounting for deferred income taxes and permits the recognition of deferred tax assets, subject to an ongoing assessment of realizability.

(e) 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 amount 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.

(f) Other Assets

Other assets primarily consist of fees paid to acquire franchises and are being amortized over the life of the franchise or extensions (up to 15 years).

(g) Recent Accounting Pronouncements

In March 1998, the Accounting Standards Executive Committee (AcSEC) of the AICPA issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1). SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. Management does not anticipate that the adoption of this statement will have a material effect on the financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management does not anticipate that the adoption of this Statement will have a material effect on the financial statements.

In June 1998, the Accounting Standards Executive Committee (AcSEC) of the AICPA issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" (SOP 98-5). SOP 98-5 requires that the costs of start-up activities including organizational costs, be expensed as incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. Management does not anticipate that the adoption of this Statement will have a material effect on the financial statements.

(3) Property and Equipment

Property and equipment is summarized as follows:

	December 31,		March 31,
	1997	1998	1999
Trunk and distribution system	$ 3,360,169	3,358,529	3,369,221
Central equipment	484,217	511,104	512,211
Subscriber devices	590,576	636,550	643,396
Converters	448,181	443,781	443,361
Miscellaneous	34,263	34,263	34,263
	4,917,406	4,984,227	5,002,452
Less accumulated depreciation	(2,886,978)	(3,292,052)	(3,395,484)
Property and equipment, net	$ 2,030,428	1,692,175	1,606,968

(4) Bank Debt

Bank debt consists of the following:

	December 31, 1997	December 31, 1998	March 31, 1999
Bank note payable at prime plus 1/2% (9.00% at December 31, 1997), due in monthly installments of $1,944 plus interest, through March 1, 2002, secured by property and equipment	$ 99,167	--	--
Bank note payable at prime plus 1/2% (9.00% and 8.75% at December 31, 1997 and 1996, respectively), due in monthly installments of $10,833 plus interest, through February 1, 1999, at which time remaining principal of $563,334 is due in full, secured by accounts receivable, inventories and a second lien on property and equipment	693,334	--	--
Total bank debt	$792,501	--	--

During 1998, the ultimate parent company of Taconic Technology Corporation paid outstanding bank debt of $769,852 and contributed the amount to capital. Such payment has been reflected as addition to component equity in the 1998 financial statements.

Cash paid for interest on bank debt was $104,521 and $17,192 for the years ended December 31, 1997 and 1998, respectively, and $17,192 and $0 for the three months ended March 31, 1998 and 1999, respectively.

(5) Income Taxes

The components of the provision for income tax expense (benefit) are as follows:

	Year ended December 31,		Thre months ended March 31,	
	1997	1998	1998	1999
Current	$17,178	114,870	8,868	41,010
Deferred (benefit)	58,199	(17,542)	(3,591)	(12,722)
	$75,377	97,328	5,277	28,288

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,		March 31,
	1997	1998	1999
Deferred tax assets:			
Accounts receivable due to allowance for doubtful accounts	$ 8,756	10,082	11,280
Less valuation allowance	--	--	--
Net deferred tax assets	8,756	10,082	11,280
Deferred tax liabilities:			
Plant and equipment, due to differences in depreciation	(386,879)	(370,663)	(359,139)
Net deferred tax liability	$(378,123)	(360,581)	(347,859)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the benefits of these deductible differences will be realized.

(6) Retirement Plans

Prior to 1996, all employees of Taconic Technology Corp. were included in Taconic Telephone Corp.'s defined benefit and defined contribution retirement plans. Effective January 1, 1996, the defined benefit plan was frozen and during 1997 was amended to cease benefit accruals for all participants. The amendment increased benefits to the level of fair value of plan assets at December 31, 1997, $5,452,047.

Effective January 1, 1996, all full time employees of Taconic Technology Corp. with at least one year of service became eligible to receive an employer contribution of 5% of gross wages under Taconic Telephone Corp.'s defined contribution plan. In addition, the plan calls for an employer match of employee contributions not to exceed 3% of gross wages. Taconic CATV's expense relative to this plan for the years ended December 31, 1997 and 1998 was $5,686 and $5,227, respectively, and $1,307 and $2,519 for the three months ended March 31, 1998 and 1999, respectively.

(7) Receivable From/Payable to Related Entities

Receivable from/payable to related entities represents amounts due from/to other components of Taconic Technology Corp. and amounts due from/to Taconic Telephone Corp. (parent of Taconic Technology Corp.) for working capital funds and services provided.

(8) Disclosure About the Fair Value of Financial Instruments

Cash, Accounts Receivable, Accounts Payable and Accrued Expenses--the carrying amount approximates fair value.

Bank Debt--the carrying value of the bank debt approximates fair value.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of
Avalon Cable of Michigan, Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Avalon Cable of Michigan, Inc. and subsidiaries (collectively, the "Company") at December 31, 1998, and the results of their operations, changes in shareholders' equity and their cash flows for the period from June 2, 1998 (inception) to December 31, 1998, in conformity with generally accepted accounting principles. The financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with 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

New York, New York
March 30, 1999

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1998
(in thousands)

ASSETS	
Cash	$ 9,071
Accounts receivable, net of allowance for doubtful accounts of $873	5,015
Prepayments and other current assets	1,267
Accounts receivable from related parties	371
Deferred income taxes	377
Current assets	16,101
Property, plant and equipment, net	104,965
Intangible assets, net	427,125
Deferred charges and other assets	1,270
Total assets	$549,461
LIABILITIES AND SHAREHOLDERS' EQUITY	
Accounts payable and accrued expenses	$ 10,194
Advance billings and customer deposits	2,454
Accounts payable--affiliate	2,023
Current liabilities	14,671
Long-term debt	290,875
Notes payable--affiliate	15,171
Deferred income taxes	82,635
Total liabilities	403,352
Commitments and contingencies (Note 10)	--
Minority interest	13,855
Stockholders equity:	
Common stock	--
Additional paid-in capital	137,375
Accumulated deficit	(5,121)
Total shareholders' equity	132,254
Total liabilities and shareholders' equity	$549,461

The accompanying notes are an integral part of
these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Period from June 2, 1998 (inception) through December 31, 1998
(dollars in thousands)

Revenue:	
Basic services	$ 11,119
Premium services	1,036
Other	1,502
	13,657
Operating expenses:	
Selling, general and administrative	2,719
Programming	3,281
Technical and operations	1,718
Depreciation and amortization	6,554
Loss from operations	(615)
Interest income	173
Interest (expense)	(4,710)
Other (expense), net	(66)
(Loss) before income taxes	(5,218)
(Benefit) from income taxes	(1,901)
(Loss) before minority interest and extraordinary item	(3,317)
Minority interest in loss of consolidated entity	(398)
(Loss) before extraordinary item	(3,715)
Extraordinary loss on extinguishment of debt (net of tax of $824)	(1,406)
Net loss	$(5,121)

The accompanying notes are an integral part of
these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Period from June 2, 1998 (inception) through December 31, 1998
(in thousands, except share amounts)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, June 2, 1998...	100	$--	$ --	$ --	$ --
Net loss from date of inception through December 31, 1998.....	--	--	--	(5,121)	(5,121)
Contributions by parent.	--	--	137,375	--	137,375
Balance, December 31, 1998.....	100	$--	$137,375	$(5,121)	$132,254

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from June 2, 1998 (inception) through December 31, 1998
(in thousands)

Cash flows from operating activities:	
Net (loss)	$ (5,121)
Extraordinary loss on extinguishment of debt	1,460
Depreciation and amortization	6,554
Deferred income taxes, net	(8,234)
Provision for loss on accounts receivable	75
Increase (decrease) in minority interest	398
Net change in certain assets and liabilities, net of business acquisitions	
Increase in accounts receivable	(832)
Increase in prepayment and other current assets	(446)
Increase in accounts payable and accrued expenses	3,834
Increase in deferred revenue	967
Net cash used by operating activities	(1,345)
Cash flows from investing activities:	
Additions to property, plant and equipment	(4,673)
Payment for acquisition	(431,629)
Net cash used in investing activities	(436,302)
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
Proceeds from the issuance of note payable affiliate	33,200
Payments made on note payable--affiliate	(18,037)
Payments made for debt financing costs	(3,995)
Proceeds from the issuance of common stock	137,375
Net cash provided by financing activities	439,418
Net increase in cash	1,771
Cash at beginning of the period	7,300
Cash at end of the period	$ 9,071
Supplemental disclosures of cash flow information	
Cash paid during the year for	
Interest	$ 2,639
Income taxes	--

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands except per share data)

1. Basis of Presentation and Description of Business

Avalon Cable of Michigan, Inc. ("the Company") 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, the Company entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Avalon Cable of Michigan Holdings Inc. ("Avalon Holdings") and Cable Michigan, Inc. (Cable Michigan), pursuant to which the Company will merge into Cable Michigan and Cable Michigan will become a wholly owned subsidiary of Avalon 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 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.

In conjunction with the acquisition of Cable Michigan, the Company acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, the Company 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 were terminated. The Agreement also permitted the Company to agree to acquire the remaining shares of Mercom that it did not own.

Michigan Holdings contributed $140,000 in cash to the Company, 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 the Company in exchange for 100 shares of common stock.

In March 1999, after the acquisition of Mercom, Inc. (as described in Note 3) the Company completed a series of transactions to facilitate certain aspects of its financing. As a result of these transactions:

- Avalon Cable of Michigan LLC has become the operator of the Michigan cluster replacing Avalon Cable of Michigan, Inc.

- Avalon Cable of Michigan LLC 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 Cable of Michigan LLC under the Senior Subordinated Notes. Avalon Cable of Michigan, Inc. does not have significant assets, other than its investment in Avalon Cable LLC.

The Company provides cable services to various areas in the state of Michigan. The Company'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. The Company'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.

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.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was $39.

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. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based on the following lives:

Buildings	25 years
Cable television distribution equipment	5-12 years
Vehicles	5years
Other equipment	5-10years

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

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 as determined through the use of an independent appraisal. The excess of consideration paid over the fair market value of the net assets acquired was $81,705, and is being amortized using the straight line method over 15 years, its estimated economic life.

The Merger 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.

Following is the unaudited pro forma results of operations for the year ended December 31, 1998, as if the Merger occurred on January 1, 1998:

	December 31, 1998
	(Unaudited)
Revenue	$ 88,178
Loss from operations	$ (4,664)
Net loss	$(17,055)

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.

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

Cable plant	$100,167
Vehicles	2,475
Buildings and improvements	2,151
Office furniture and fixtures	846
Construction in process	768
Total property, plant and equipment	106,407
Less--accumulated depreciation	(1,442)
Property, plant and equipment, net	$104,965

Depreciation expense was $1,442 for period from inception (June 2, 1998) to December 31, 1998.

5. Intangible Assets

Intangible assets consist of the following:

Cable franchises	$344,062
Goodwill	81,705
Deferred financing costs	6,470
Total	432,237
Less--accumulated amortization	(5,112)
Intangible assets, net	$427,125

Amortization expense charged to operations in during the period from inception (June 2, 1998) through December 31, 1998 was $5,112.

6. Account payable and accrued expenses consist of the following:

Accounts payable	$ 5,321
Accrued cable programming costs	1,824
Accrued taxes	1,107
Other	1,942
	$10,194

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	(1,970)
State	(174)
Total Deferred	(2,144)
Total (benefit) for income taxes	$(1,901)

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	$(5,218)
Federal tax (benefit) at statutory rates	(1,826)
State income taxes	(152)
Goodwill	77
(Benefit) for income taxes	(1,901)

Year	Tax Net Operating Losses	Expiration Date
1998	$8,536	2018

Temporary differences that give rise to significant portion of deferred tax assets and liabilities at December 31 are as follows:

	1998
NOL carryforwards	$ 3,539
Alternative minimum tax credits	141
Reserves	210
Other, net	309
Total deferred assets	4,199
Property, plant and equipment	(10,635)
Intangible assets	(75,538)
Total deferred liabilities	(86,173)
Subtotal	(81,974)
Valuation allowance	--
Total deferred taxes	(81,974)

The tax benefit related to the loss on extinguishment of debt results in deferred tax, approximating 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.

8. Debt

At December 31, 1998, Long-term Debt consists of the following:

Senior credit facility	$150,000
Senior subordinated notes	140,875
	290,875
Current portion	--
	$290,875

Credit Facility

On November 6, 1998, the Company became a co-borrower along with Avalon New England and 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 facilities terminate 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, the Company 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, the Company repaid $125,013 of the Credit Facility, and the availability under the Credit Facility was reduced to $195,000. The Company had borrowings of $140,875 outstanding under the 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 tranch 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 Avalon Cable of Michigan Holdings, Inc. Avalon Cable LLC, Avalon Cable Finance Holdings, Inc., Avalon Cable of New England Holdings, Inc. and Avalon Cable Holdings, LLC.

Subordinated debt

In December 1998, the Company 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 ("Senior Discount Notes") offering. In conjunction with these financings, the Company paid $18,130 to Avalon Finance as a partial payment against the Company's note payable-affiliate. The Company paid $75 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 Discount Notes mature on December 1, 2008. Until December 1, 2003, interest will not be paid currently on the Senior Discount Notes, but the accreted value will increase (representing original issue discount) between the date of original issuance and December 1, 2003. Beginning on December 1, 2003, interest will accrue 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, to holders of record on the immediately preceding May 15 and November 15. Original issue discount accretion on the Senior Discount Notes was $1,083 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.

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 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. Employee Benefit Plans

The Company 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.

10. Commitments and Contingencies

Leases

Total rental expense, primarily for office space and pole rental, was $43. Rental commitments are expected to continue to approximate $1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

Legal Matters

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.

11. Related Party Transactions and Balances

In November 1998, the Company received $33,200 from Avalon Cable Finance, Inc. ("Avalon Finance"). In consideration for this amount, the Company executed a note payable to Avalon Finance. The note matures on December 31, 2001. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at a rate of 4.47% per year, and is payable on December 31, 2001. Accrued interest receivable of $102 has been recorded in connection with this note at December 31, 1998. On December 10,1998, the Company made a partial payment of $18,130 against this note payable-affiliate to Avalon Finance.

The Company receives support services such as finance, accounting and human resources from Avalon Cable LLC, a related party. All shared costs are allocated on the basis of average time spent servicing each entity. In the opinion of management, the methods used in allocating costs from Avalon Cable LLC 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. For the period ended December 31, 1998, the Company was allocated charges related to such services of $250. The Company had a payable of $250 related to these services at December 31, 1998.

At December 31, 1998, the Company had an accounts receivable-affiliate balance of $247 with Avalon New England.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(In thousands)

	March 31, 1999	December 31, 1998
	(Unaudited)	
Assets		
Cash	$ 13,227	$ 9,071
Accounts receivable, net of allowance for doubtful accounts of $957 and $873	6,210	5,015
Prepayments and other current assets	1,549	1,267
Accounts receivable from related parties	--	371
Deferred income taxes	377	377
Current assets	21,363	16,101
Property, plant and equipment, net	115,200	104,965
Intangible assets, net	473,323	427,125
Deferred charges and other assets	1,169	1,270
Total assets	$611,055	$549,461
Liabilities and Shareholders' Equity		
Accounts payable and accrued expenses	$ 20,689	$ 10,194
Advance billings and customer deposits	3,363	2,454
Accounts payable--affiliate	3,388	2,023
Current liabilities	27,440	14,671
Long-term debt	442,727	290,875
Notes payable--affiliate	--	15,171
Deferred income taxes	77,021	82,635
Total liabilities	547,188	403,352
Commitments and contingencies (Note 4)	--	--
Minority interest	47,495	13,855
Stockholders' equity		
Common stock	--	--
Addition paid-in capital	26,973	137,375
Accumulated deficit	(10,601)	(5,121)
Total shareholders' equity	16,372	132,254
Total liabilities and shareholders' equity	$611,055	$549,461

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Revenue	
Basic services	$18,153
Premium services	1,843
Other	2,371
	22,367
Operating expenses	
Selling, general and administrative	3,716
Programming	6,293
Technical and operations	2,496
Depreciation and amortization	10,126
Loss from operations	(264)
Interest income	318
Interest expense	(8,740)
Loss before income taxes	(8,686)
Benefit from income taxes	3,142
Loss before minority interest	(5,544)
Minority interest in loss of consolidated entity	64
Net loss	$(5,480)

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. and SUBSIDIARIES

CONSOLIDATED STATEMENT of CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share amounts)

	For the Quarter Ended March 31, 1999 (unaudited)				
	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
			(Unaudited)		
Balance, December 31, 1998	100	$ --	$ 137,375	$ (5,121)	$ 132,254
Contribution of debt from Parent, net of deferred financing costs	--	--	(110,402)	--	(110,402)
Net loss for the quarter ended March 31, 1999		--	--	(5,480)	(5,480)
Balance, March 31, 1999.	100	$ --	$ 26,973	$(10,601)	$ 16,372

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	For the Quarter Ended March 31, 1999
	(Unaudited)
Cash flows from operating activities	
Net loss	$ (5,480)
Depreciation and amortization	10,126
Decrease in minority interest	(398)
Net change in certain assets and liabilities, net of business acquisitions	
Increase in accounts receivable	(942)
Decrease in other assets, net	101
Increase in prepayment and other current assets	(275)
Increase in accounts payable and accrued expenses	10,436
Increase in deferred revenue	2,213
Decrease in receivable--affiliates	371
Decrease in deferred income taxes, net	(6,044)
Net cash provided by operating activities	10,108
Cash flow from investing activities	
Additions to property, plant and equipment	(9,210)
Payment for acquisitions, net	(34,004)
Net cash used in investing activities	(43,214)
Cash flow from financing activities	
Proceeds from the issuance of the Credit Facility	37,262
Net cash provided by financing activities	37,262
Net increase in cash	4,156
Cash at beginning of the period	9,071
Cash at end of the period	$ 13,227
Non-cash investing and financing activities	
Contribution of debt from Parent, net of deferred financing cost	$110,402

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business

Avalon Cable of Michigan, Inc. (the "Company") 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, the Company entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Michigan Holdings and Cable Michigan, Inc. ("Cable Michigan"), pursuant to which the Company 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 Cable Michigan was changed to Avalon Cable of Michigan, Inc.

In accordance with the terms of the Agreement, each share of common stock, par value of $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.

In conjunction with the acquisition of Cable Michigan, the Company acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, the Company completed its merger. The total consideration paid 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. The Agreement also permitted the Company to agree to acquire the remaining shares of Mercom that it did not own.

Michigan Holdings contributed $137,375 in cash to the Company, 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 the Company in exchange for 100 shares of common stock.

On March 26, 1999, after the acquisition of Mercom, Inc. (as described in Note 3) the Company completed a series of transactions to facilitate certain aspects of its financing between affiliated companies under common control. As a result of these transactions:

- The Company 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 Cable of Michigan LLC has become the operator of the Michigan cluster, replacing the Company.

- Avalon Cable of Michigan LLC is an obligor on the Senior Subordinated Notes replacing the Company, and

- The Company is a guarantor of the obligations of Avalon Cable of Michigan LLC under the Senior Subordinated Notes. The Company does not have significant assets, other than its investment in Avalon Cable LLC at March 31, 1999.

Avalon Cable LLC provides cable services to various areas in the state of Michigan and the New England area. Avalon Cable 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 Cable 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.

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.

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 March 31, 1999 and for the three 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") and R/Com. L.C. and the contribution of assets to Avalon Cable LLC) necessary to present fairly the financial information included therein.

3. Merger

The Merger agreement between Michigan Holdings 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 paid in conjunction with the Mercom Acquisition, excluding fees and expenses was $21,900.

In connection with the acquisition of Mercom, former shareholders of Mercom constituting approximately 16.5% of all outstanding Mercom common shares gave notice of their election to exercise appraisal rights as provided by Delaware law. The Company cannot predict at this time the effect of these elections on the Company since the Company does not know whether or the extent to which these former shareholders will continue to pursue appraisal rights and seek an appraisal proceeding 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, the Company makes no assurance that a Delaware court would not find that the fair value of these shares for such purpose is in excess of the $12.00 per Mercom share that the Company paid in the acquisition or that the ultimate outcome would not have a material adverse effect on the Company. The Company has already provided for the consideration due under the terms of our merger with Mercom with respect to these shares.

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.

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 $11,041 and is being amortized using the straight line method over 15 years.

4. Commitments and Contingencies

Legal matters

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.

5. Subsequent Event

In May 1999, the Company signed an agreement with Charter Communications, Inc. 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 indentures pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. 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 (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 Indentures) 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.

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$196,000,000

Avalon Cable LLC

Avalon Cable
Holdings Finance, Inc.

Offer to Exchange Series B
11 7/8% Senior Subordinated
Notes due 2008
For All Outstanding
11 7/8% Senior Subordinated
Notes due 2008

PROSPECTUS

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PART II: INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers.

Avalon Cable LLC. Avalon Cable LLC is a limited liability company organized under the laws of the State of Delaware. Section 18-108 of the Delaware Limited Liability Company Act (the "Act") provides that, subject to such standards and restrictions, if any, as are set forth in its limited liability company agreement, a limited liability company may, and shall have the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever.

Section 3.14 of Avalon Cable LLC's Limited Liability Company Agreement provides, among other things, that neither the managers, officers or members of Avalon Cable LLC shall be liable to Avalon Cable LLC or any member for monetary damages for a breach of duty to Avalon Cable LLC or any member. Section 3.14 also provides that the managers, officers and members of Avalon Cable LLC shall be indemnified and held harmless by Avalon Cable LLC, including advancement of reasonable attorney's fees and other expenses, but only to the extent that Avalon Cable LLC's assets are sufficient therefor, from and against all claims, liabilities, and expenses arising out of any management of Avalon Cable LLC affairs (but excluding those caused by the gross negligence or willful misconduct of such manager, officer member), to the fullest extent permitted by, but subject to all limitations and requirements imposed by, the Act.

Section 3.14 of Avalon Cable LLC's Limited Liability Company Agreement also provides that, the rights of indemnification will be in addition to any rights to which such manager, officer or member may otherwise have against third parties, and will inure to the benefit of the respective heirs and personal representatives of the managers, officers and members.

Avalon Cable Holdings Finance, Inc. Avalon Cable Holdings Finance, Inc. is incorporated under the laws of the State of Delaware. Section 145 of the General Corporation Law of the State of Delaware, inter alia ("Section 145") provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses, such as attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, were or are threatened to be made, party to any threatened, pending or completed action or suit by or in the right of the corporation by reasons of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses, including attorneys' fees, actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred.

Avalon Cable Holdings Finance, Inc.'s Certificate of Incorporation provides that to the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of Avalon Cable Holdings Finance, Inc. shall not be liable to Avalon Cable Holdings Finance, Inc. or its stockholders for monetary damages for a breach of fiduciary duty as a director.

Article V of the By-laws of Avalon Cable Holdings Finance, Inc. ("Article V") provides, among other things, that each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of Avalon Cable Holdings Finance, Inc. as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by Avalon Cable Holdings Finance, Inc. to the fullest extent which it is empowered to do so unless prohibited from doing so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended but, in the case of any such amendment, only to the extent that such amendment permits Avalon Cable Holdings Finance, Inc. to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment, against all expense, liability and loss, including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding, and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, Avalon Cable Holdings Finance, Inc. shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of Avalon Cable Holdings Finance, Inc.

Article V also provides that persons who are not covered by the foregoing provisions of Article V and who are or were employees or agents of Avalon Cable Holdings Finance, Inc., or who are or were serving at the request of Avalon Cable Holdings Finance, Inc. as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the board of directors.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who 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 or enterprise, against any liability asserted against him and incurred by him or her in any such capacity, arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him or her under Section 145.

Article V further provides that Avalon Cable Holdings Finance, Inc. may purchase and maintain insurance on its behalf and on behalf of any person who is or was a director, officer, employee, fiduciary or agent of Avalon Cable Holdings Finance, Inc. or was serving at the request of Avalon Cable Holdings Finance, Inc. as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not Avalon Cable Holdings Finance, Inc. would have the power to indemnify such person against such liability under Article V.

Avalon Cable of Michigan Holdings, Inc. Avalon Cable of Michigan Holdings, Inc. is incorporated under the laws of the State of Delaware. Section 145 of the General Corporation Law of the State of Delaware, inter alia ("Section 145") provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses, such as attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, were or are threatened to be made, party to any threatened, pending or completed action or suit by or in the right of the corporation by reasons of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or

agent of another corporation or enterprise. The indemnity may include expenses, including attorneys' fees, actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred.

Avalon Cable of Michigan Holdings, Inc.'s Certificate of Incorporation provides that to the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of Avalon Cable of Michigan Holdings, Inc. shall not be liable to Avalon Cable of Michigan Holdings, Inc. or its stockholders for monetary damages for a breach of fiduciary duty as a director.

Article V of the By-laws of Avalon Cable of Michigan Holdings, Inc. ("Article V") provides, among other things, that each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of Avalon Cable of Michigan Holdings, Inc. as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, fiduciary or agent or in any other capacity while serving as a director, officer, employee, fiduciary or agent, shall be indemnified and held harmless by Avalon Cable of Michigan Holdings, Inc. to the fullest extent which it is empowered to do so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended but, in the case of any such amendment, only to the extent that such amendment permits Avalon Cable of Michigan Holdings, Inc. to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment, against all expense, liability and loss, including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding, and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, Avalon Cable of Michigan Holdings, Inc. shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of Avalon Cable of Michigan Holdings, Inc.

Article V also provides that persons who are not covered by the foregoing provisions of Article V and who are or were employees or agents of Avalon Cable of Michigan Holdings, Inc., or who are or were serving at the request of Avalon Cable of Michigan Holdings, Inc. as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the board of directors.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who 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 or enterprise, against any liability asserted against him and incurred by him or her in any such capacity, arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him or her under Section 145.

Article V further provides that Avalon Cable of Michigan Holdings, Inc. may purchase and maintain insurance on its behalf and on behalf of any person who is or was a director, officer, employee, fiduciary or agent of Avalon Cable of Michigan Holdings, Inc. or was serving at the request of Avalon Cable of Michigan Holdings, Inc. as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not Avalon Cable of Michigan Holdings, Inc. would have the power to indemnify such person against such liability under Article V.

Avalon Cable of Michigan, Inc. Avalon Cable of Michigan, Inc. is incorporated under the laws of the State of Pennsylvania. Section 1741 of the Pennsylvania Business Corporation Law, inter alia ("Section 1741") provides that a business corporation has the power 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 or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was a representative of the corporation, or is or was serving at the request of the corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful. Section 1742 of the Pennsylvania Business Corporation Law ("Section 1742") provides that a business corporation shall have power 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 by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a representative of the corporation or is or was serving at the request of the corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of the action if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation. Indemnification shall not be made under Section 1742 in respect of any claim, issue or matter as to which the person has been adjudged to be liable to the corporation unless and only to the extent that the court of common pleas of the judicial district embracing the county in which the registered office of the corporation is located or the court in which the action was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses that the court of common pleas or other court deems proper. To the extent that a representative of a business corporation has been successful on the merits or otherwise in defense of any action or proceeding referred to in Section 1741 (relating to third-party actions) or Section 1742 (relating to derivative and corporate actions) or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney fees) actually and reasonably incurred by him in connection therewith.

Article V of the By-laws of Avalon Cable of Michigan, Inc. ("Article V") provides, among other things, that each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of Avalon Cable of Michigan, Inc. as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by Avalon Cable of Michigan, Inc. to the fullest extent which it is empowered to do so unless prohibited from doing so by the Business Corporation Law of the State of Pennsylvania, as the same exists or may hereafter be amended but, in the case of any such amendment, only to the extent that such amendment permits Avalon Cable of Michigan, Inc. to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment, against all expense, liability and loss, including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding, and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as otherwise provided, Avalon Cable of Michigan, Inc. shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of Avalon Cable of Michigan, Inc.

Section 1747 of the Pennsylvania Business Corporation Law authorizes a business corporation to purchase and maintain insurance on behalf of any person who is or was a representative of the corporation or is or was serving at the request of the corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise against any liability asserted against him

and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against that liability under the provisions of Subchapter D of Pennsylvania's Business Corporation Law.

Article V further provides that Avalon Cable of Michigan, Inc. may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary or agent of Avalon Cable of Michigan, Inc. or was serving at the request of Avalon Cable of Michigan, Inc. as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not Avalon Cable of Michigan, Inc. would have the power to indemnify such person against such liability under Article V.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number	Exhibit
2.1	Taconic Technology Corp. acquisition agreement. (1)
2.2	Securities Purchase Agreement, dated as of May 13, 1999, by and between Avalon Cable Holdings, LLC, Avalon Investors, L.L.C., Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, Charter Communications Holdings LLC and Charter Communications, Inc. (1)
3.1	Certificate of Formation of Avalon Cable LLC.
3.2	Certificate of Incorporation of Avalon Cable Holdings Finance, Inc.
3.3	Certificate of Incorporation of Avalon Cable of Michigan Holdings, Inc.
3.4	Articles of Incorporation of Avalon Cable of Michigan, Inc. (1)
3.5	Amended and Restated Limited Liability Company Agreement of Avalon Cable LLC.
3.6	By-Laws of Avalon Cable Holdings Finance, Inc.
3.7	By-Laws of Avalon Cable of Michigan Holdings, Inc.
3.8	By-Laws of Avalon Cable of Michigan, Inc. (1)
4.1	Indenture, dated as of December 10, 1998 by and among Avalon Cable LLC, Avalon Cable of Michigan Holdings, Inc. and Avalon Cable Holdings Finance, Inc., as Issuers and The Bank of New York, as Trustee for the Notes.
4.2	Supplemental Indenture, dated as of March 26, 1999 by and among Avalon Cable LLC, Avalon Cable of Michigan Holdings, Inc. 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.
4.3	Purchase Agreement, dated as of December 3, 1998, by and among Avalon Cable of Michigan, Inc., Avalon Cable of New England LLC and Avalon Cable Finance, Inc. and the Initial Purchasers of the Notes.
4.4	Registration Rights Agreement, 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. and the Initial Purchasers of the Notes.
4.5	Form of 9 5/8% Senior Subordinated Notes due 2008 (included in Exhibit 4.1 above as Exhibit A).
5.1	Opinion of Kirkland & Ellis.
10.1	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. (previously filed with the

Exhibit Number	Exhibit
	Commission by 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 as Exhibit 99.8 to Amendment No. 4 filed on November 12, 1998, to its Schedule 13D relating to Mercom, Inc., and incorporated herein by reference).
10.2	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. (previously filed with the Commission by 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 as Exhibit 99.9 to Amendment No. 4 filed on November 12, 1998, to its Schedule 13D relating to Mercom, Inc., and incorporated herein by reference).
10.3	Indenture relating to the Senior Subordinated Notes, dated as of December 10, 1998, by and between 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. (1)
10.4	Employment Agreement, dated November 6, 1998, by and among David W. Unger, Avalon Cable LLC and Avalon Cable of New England LLC. (1)
10.5	Employment Agreement, dated as of November 6, 1998, by and among Joel C. Cohen, Avalon Cable LLC and Avalon Cable of New England LLC. (1)
10.6	Employment Agreement, dated as of November 6, 1998, by and between Peter Polimino and Avalon Cable LLC. (1)
10.7	Employment Agreement, dated as of November 6, 1998, by and between Peter Luscombe and Avalon Cable LLC. (1)
10.8	Amended and Restated Management and Consulting Services Agreement dated as of November 6, 1998 among ABRY Partners, Inc., Avalon Cable Holdings, LLC, Avalon Cable of Michigan, Inc., Avalon Cable of New England, Inc., Avalon Cable of New England, LLC and Avalon Cable LLC. (1)
10.9	Amended and Restated Members Agreement, dated as of March 26, 1999, by and among Avalon Cable LLC, ABRY Broadcast Partners III, Avalon Cable Holdings, LLC, Avalon Cable of Michigan Holdings, Inc., Avalon Cable of New England Holdings, Inc. and Avalon Investors, L.L.C. (1)
12.1	Statement regarding computation of ratio of earnings to fixed charges.
12.2	Statement regarding computation of ratio of earnings to fixed charges for Avalon Cable of Michigan Holdings, Inc.
12.3	Statement regarding computation of ratio of earnings to fixed charges for Avalon Cable of Michigan, Inc.(1)
12.4	Statement regarding computation of ratio of earnings to fixed charges for AMRAC Clear View.(1)
12.5	Statement regarding computation of ratio of earnings to fixed charges for Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc.(1)
12.6	Statement regarding computation of ratio of earnings to fixed charges for Taconic Technology.(1)

Exhibit Number	Exhibit
*21.1	Subsidiaries of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan, Inc. and Avalon Cable of Michigan Holdings, Inc.
23.1	Consents of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of Greenfield, Altman, Brown, Berger & Katz, P.C., Independent Accountants.
23.3	Consent of KPMG LLP, Independent Accountants.
23.4	Consent of Kirkland & Ellis (included in Exhibit 5.1 above).
23.5	Consent of Kirkpatrick & Lockhart LLP (included in Exhibit 99.4 below).
*24.1	Power of Attorney.
25.1	Statement of Eligibility of Trustee on Form T-1 with respect to the New Notes.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Tender Instructions.
99.4	Opinion of Kirkpatrick & Lockhart LLP.

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*Previously Filed.

**To be filed by Amendment.

(1) Filed as an Exhibit to the Registration Statement on Form S-4 (File No. 333-75453) filed by Avalon Cable of Michigan LLC on May 27, 1999.

(b) Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements and therefore has been omitted.

Item 22. Undertakings.

(a) The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions described under Item 20 or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(5) The undersigned registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(6) The undersigned registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Avalon Cable of Michigan LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in City of New York, State of New York, on the 27th day of May, 1999.

Avalon Cable of Michigan LLC

By: /s/ Joel C. Cohen
Name:Joel C. Cohen
Title: Chief Executive Officer, President and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on the 27th day of May, 1999.

Signature	Capacity
/s/ Joel C. Cohen Joel C. Cohen	Manager, Chief Executive Officer, President and Secretary (Principal Executive Officer)
* Peter Polimino	Vice President--Finance (Principal Financial and Accounting Officer)
* David W. Unger	Manager and Assistant Secretary
* Jay M. Grossman	Manager, Vice President and Assistant Secretary
* Peggy J. Koenig	Manager, Vice President and Assistant Secretary
* Royce Yudkoff	Manager

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*The undersigned, by signing his name hereto, does hereby execute this amendment to the registration statement on behalf of the officers and directors of the registrant listed above pursuant to the Powers of Attorney previously filed with the Commission.

/s/ Joel C. Cohen
Joel C. Cohen, Attorney in Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Avalon Cable of New England LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in City of New York, State of New York, on the 27th day of May, 1999.

Avalon Cable of New England LLC

By: /s/ Joel C. Cohen
Name:Joel C. Cohen
Title: Chief Executive Officer, President and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on the 27th day of May, 1999.

Signature	Capacity
/s/ Joel C. Cohen Joel C. Cohen	Chief Executive Officer, President, Secretary and Manager (Principal Executive Officer)
* Peter Polimino	Vice President--Finance (Principal Financial and Accounting Officer)
* David W. Unger	Manager and Assistant Secretary
* Jay M. Grossman	Manager, Vice President and Assistant Secretary
* Peggy J. Koenig	Manager, Vice President and Assistant Secretary
* Royce Yudkoff	Manager

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*The undersigned, by signing his name hereto, does hereby execute this amendment to the registration statement on behalf of the officers and directors of the registrant listed above pursuant to the Powers of Attorney previously filed with the Commission.

/s/ Joel C. Cohen
Joel C. Cohen, Attorney in Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Avalon Cable Finance, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in City of New York, State of New York, on the 27th day of May, 1999.

Avalon Cable Finance, Inc.

/s/ Joel C. Cohen
By: _____
Name:Joel C. Cohen
Title: Chief Executive Officer, President and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on the 27th day of May, 1999.

Signature	Capacity
/s/ Joel C. Cohen Joel C. Cohen	Chief Executive Officer, President, Secretary and Director (Principal Executive Officer)
* Peter Polimino	Vice President--Finance (Principal Financial and Accounting Officer)
* David W. Unger	Chairman and Assistant Secretary
* Jay M. Grossman	Director, Vice President and Assistant Secretary
* Peggy J. Koenig	Director, Vice President and Assistant Secretary
* Royce Yudkoff	Director

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*The undersigned, by signing his name hereto, does hereby execute this amendment to the registration statement on behalf of the officers and directors of the registrant listed above pursuant to the Powers of Attorney previously filed with the Commission.

/s/ Joel C. Cohen
_____
Joel C. Cohen, Attorney in Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Avalon Cable of Michigan, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in City of New York, State of New York, on the 27th day of May, 1999.

Avalon Cable of Michigan, Inc.

/s/ Joel C. Cohen
By: _____
Name:Joel C. Cohen
Title: Chief Executive Officer, President and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on the 27th day of May, 1999.

Signature	Capacity
/s/ Joel C. Cohen Joel C. Cohen	Chief Executive Officer, President, Secretary and Director (Principal Executive Officer)
* Peter Polimino	Vice President--Finance (Principal Financial and Accounting Officer)
* David W. Unger	Chairman and Assistant Secretary
* Jay M. Grossman	Director, Vice President and Assistant Secretary
* Peggy J. Koenig	Director, Vice President and Assistant Secretary
* Royce Yudkoff	Director

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*The undersigned, by signing his name hereto, does hereby execute this amendment to the registration statement on behalf of the officers and directors of the registrant listed above pursuant to the Powers of Attorney previously filed with the Commission.

/s/ Joel C. Cohen
Joel C. Cohen, Attorney in Fact

EXHIBIT 3.1

CERTIFICATE OF FORMATION

OF

AVALON CABLE LLC

This Certificate of Formation is being executed as of October 21, 1998, for the purpose of forming a limited liability company pursuant to the Delaware Limited Liability Company Act, 6 Del. C. Sections 18-101, et seq.

The undersigned, being duly authorized to execute and file this Certificate, does hereby certify as follows:

1. Name. The name of the limited liability company is Avalon Cable LLC (the "Company").

2. Registered Office and Registered Agent. The Company's registered office in the State of Delaware is located at 1209 Orange Street, City of Wilmington, New Castle County, Delaware 19801. The registered agent of the Company for service of process at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Formation as of the day and year first above written.

By: /s/ Barbara A. Beach

Barbara A. Beach, an Authorized Person

EXHIBIT 3.2

CERTIFICATE OF INCORPORATION

OF

AVALON CABLE HOLDINGS FINANCE, INC.

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ARTICLE ONE

The name of the corporation is Avalon Cable Holdings Finance, Inc. (hereinafter called the "Corporation").

ARTICLE TWO

The address of the corporation's registered office in the State of Delaware is 1209 Orange Street Wilmington, Delaware 19801, county of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

The total number of shares of stock which the corporation has authority to issue is One Thousand (1,000) shares, all of which shall be shares of Common Stock, with a par value of $.01 (One Cent) per share.

ARTICLE FIVE

The name and mailing address of the sole incorporator are as follows:

NAME	MAILING ADDRESS
Barbara A. Beach	200 East Randolph Drive Suite 5700 Chicago, Illinois 60601

ARTICLE SIX

The corporation is to have perpetual existence.

ARTICLE SEVEN

In furtherance and not in limitation of the powers conferred by statute, the board of directors of the corporation is expressly authorized to make, alter or repeal the by-laws of the corporation.

ARTICLE EIGHT

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws of the corporation may provide. The books of the corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation. Election of directors need not be by written ballot unless the by-laws of the corporation so provide.

ARTICLE NINE

To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of this corporation shall not be liable to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. Any repeal or modification of this ARTICLE NINE shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE TEN

The corporation expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE ELEVEN

The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts stated herein are true, and accordingly have hereunto set my hand on the 21/st/ day of October, 1998.

/s/ Barbara A. Beach

Barbara A. Beach, Sole Incorporator

Exhibit 3.3

CERTIFICATE OF INCORPORATION

OF

AVALON CABLE OF MICHIGAN HOLDINGS INC.

ARTICLE ONE

The name of the corporation is Avalon Cable of Michigan Holdings Inc. (hereinafter called the "Corporation").

ARTICLE TWO

The address of the Corporation's registered office in the state of Delaware is 1013 Centre Road, Wilmington, Delaware 19805, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FOUR

The total number of shares which the Corporation shall have the authority to issue is One Thousand (1,000) shares, all of which shall be shares of Common Stock, with a par value of $0.01 (One Cent) per share.

ARTICLE FIVE

The name and mailing address of the incorporator is as follows:

Name	Address
David N. Britsch	c/o Kirkland & Ellis 153 East 53rd Street 39th Floor New York, NY 10022

ARTICLE SIX

The directors shall have the power to adopt, amend or repeal By-Laws, except as may be otherwise be provided in the By-Laws.

ARTICLE SEVEN

The Corporation expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE EIGHT

Section 1. Nature of Indemnity. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he (or a person of whom he is the legal representative), is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, fiduciary or agent or in any other capacity while serving as a director, officer, employee, fiduciary or agent, shall be indemnified and held harmless by the Corporation to the fullest extent which it is empowered to do so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article Eight, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article Eight shall be a contract right and, subject to Sections 2 and 5 of this Article Eight, shall include the right to payment by the Corporation of the expenses incurred in defending any such proceeding in advance of its final disposition. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Procedure for Indemnification of Directors and Officers. Any indemnification of a director or officer of the Corporation under Section 1 of this Article Eight or advance of expenses under Section 5 of this Article Eight shall be made promptly, and in any event

within 30 days, upon the written request of the director or officer. If a determination by the Corporation that the director or officer is entitled to indemnification pursuant to this Article Eight is required, and the Corporation fails to respond within sixty days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within 30 days, the right to indemnification or advances as granted by this Article Eight shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Nonexclusivity of Article Eight. The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article Eight shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the Corporation 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 any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such liability under this Article Eight.

Section 5. Expenses. Expenses incurred by any person described in Section 1 of this Article Eight in defending a proceeding shall be paid by the Corporation in advance of such proceeding's final disposition unless otherwise determined by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it

shall ultimately be determined that he is not entitled to be indemnified by the Corporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 6. Employees and Agents. Persons who are not covered by the foregoing provisions of this Article Eight and who are or were employees or agents of the Corporation, or who are or were serving at the request of the Corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the Board of Directors.

Section 7. Contract Rights. The provisions of this Article Eight shall be deemed to be a contract right between the Corporation and each director or officer who serves in any such capacity at any time while this Article Eight and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of this Article Eight or any such law shall not affect any rights or obligations then existing with respect to any state of facts or proceeding then existing.

Section 8. Merger or Consolidation. For purposes of this Article Eight, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article Eight with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE NINE

The Corporation reserves the right to amend or repeal any provisions contained in this Certificate of Incorporation from time to time and at any time in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights conferred upon stockholders and directors are granted subject to such reservation.

* * * *

I, the undersigned, being the sole incorporator hereinbefore named, for the purpose of forming a corporation in pursuance of the General Corporation Law of the State of Delaware, do make and file this Certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set my hand this 2nd day of June, 1998.

/s/ David N. Britsch

David N. Britsch
Sole Incorporator

EXHIBIT 3.5

EXECUTION COPY

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

OF

AVALON CABLE LLC,
A DELAWARE LIMITED LIABILITY COMPANY

THE MEMBERSHIP INTERESTS REFERENCED HEREIN HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. WITHOUT REGISTRATION, THESE SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT ON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGERS OF THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR THE SUBMISSION TO THE MANAGERS OF THE COMPANY OF OTHER EVIDENCE SATISFACTORY TO THE MANAGERS TO THE EFFECT THAT ANY TRANSFER WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER. ADDITIONALLY, ANY SALE OR OTHER TRANSFER OF ANY SUCH MEMBERSHIP INTEREST IS SUBJECT TO CERTAIN RESTRICTIONS THAT ARE SET FORTH IN THIS LIMITED LIABILITY COMPANY AGREEMENT AND THE MEMBERS AGREEMENT REFERRED TO HEREIN.

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AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
AVALON CABLE LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement"), dated as of March 26, 1999, of Avalon Cable LLC, a Delaware limited liability company, among the Persons listed on the attached Schedule 1.

WHEREAS, the Company was formed on October 21, 1998 pursuant to and in accordance with the Act; and

WHEREAS, in accordance with the Act and the Limited Liability Company Agreement of the Company, dated as of November 6, 1998 (the "Prior Agreement"), and to effectuate the provisions of the Securities Purchase Agreement, the Members desire to, and hereby, amend and restate the Prior Agreement in its entirety in accordance with this Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. The following terms used in this Agreement shall have the following meanings (unless otherwise expressly provided in this Agreement):

"ABRY" means ABRY Broadcast Partners III, L.P., a Delaware limited partnership.

"Act" means the Delaware Limited Liability Company Act, as the same may be amended from time to time.

"Adjusted Capital Account Deficit" means, with respect to any Capital Account as of the end of any Fiscal Year or other period, the amount (if any) by which the balance in such Capital Account is less than zero. For this purpose, such Person's Capital Account balance will be (a) reduced for any items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6), and (b) increased for any amount such Person is obligated to contribute to the Company or is treated as being so obligated pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

"Affiliate" of a Member or Manager means any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member or Manager, as applicable. The term "control" as used in the immediately preceding sentence, means with respect to a corporation, limited liability company, limited life company or limited duration

company, the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company and, with respect to any individual, partnership, trust, estate, association or other entity, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

"Ancillary Agreements" means the Securities Purchase Agreement, the Members Agreement, the Contribution Agreement, the Assumption Agreement, the Instrument of Assignment, the Put Agreement, the Investment Agreement and all other documents required to be executed (in each case, as in effect from time to time) in order to effectuate the transactions contemplated by the Securities Purchase Agreement.

"Applicable Rate" for any Class A Unit means 15% per annum compounded annually as provided in the definition of the term "Yield"; provided, that in the event a Sale of the Company has not been effected on or prior to the eleventh anniversary of the First Closing Date, the Applicable Rate shall be 17% per annum compounded annually as provided in the definition of the term "Yield" and shall be deemed to have been 17% retroactively from the First Closing Date.

"Assignee" means any Unitholder (including a Person who purchases Units from the Company) which is not a Member.

"Avalon Bridge Loan" means the promissory note of the Company dated as of the First Closing Date in favor of Avalon Cable Holdings, LLC, initially in the principal amount of $18,000,000.

"Avalon Cable Holdings" means Avalon Cable Holdings, LLC, a Delaware limited liability company.

"Avalon Cable Michigan" means Avalon Cable of Michigan, Inc., a Pennsylvania corporation.

"Avalon Investors" means Avalon Investors, L.L.C., a Delaware limited liability company.

"Avalon Members" collectively means Avalon Cable Michigan and Avalon New England, Inc.

"Avalon Michigan Interest" means the membership interest of Avalon Cable Michigan owned by the Company.

"Avalon Michigan LLC" means Avalon Cable of Michigan, LLC, a Delaware limited liability company.

"Avalon New England, Inc." means Avalon Cable of New England Holdings Inc., a Delaware corporation.

"Avalon New England Interest" means the membership interest of Avalon
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New England LLC owned by the Company.

"Avalon New England LLC" means Avalon Cable of New England LLC, a
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Delaware limited liability company and wholly-owned Subsidiary of the Company.

"Bankruptcy" means, with respect to the Company: (i) the Company makes
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an assignment for the benefit of creditors; (ii) the Company files a voluntary petition of bankruptcy; (iii) the Company is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceeding; (iv) the Company files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation; (v) the Company files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of a nature described in this definition; (vi) the Company seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Company or of all or any substantial part of its properties; (vii) 120 days after the commencement of any proceeding against the Company seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, such proceeding has not been dismissed; or (viii) within 90 days after the appointment without the Company's consent or acquiescence of a trustee, receiver or liquidator of the Company or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated.

For definition of "Board", see definition of "Manager."

"Book Value" means, with respect to any Company property, the
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Company's adjusted basis for federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(d)-(g).
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"Bridge Facilities" collectively means Indebtedness incurred under the
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Lehman Bridge Loan and the Avalon Bridge Loan.

"Business Day" means a day other than a Saturday, Sunday or other day
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which is a nationally recognized holiday.

"Cable Michigan" means Cable Michigan Inc., a Pennsylvania
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corporation.

"Capital Account" means, with respect to any Member, the account
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maintained for such Member as provided in Article VI and in a manner which the Managers determine is in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv), and this Agreement.

"Capital Contribution" means any contribution to the capital of the
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Company in cash or property by any Person, whenever made.

"Capital Value" for each Class A Unit means the amount of the Capital
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contribution paid to the Company in consideration for the issuance of such Class A Unit. Each Class A Unit issued at the First Closing pursuant to the Securities Purchase Agreement will have a Capital Value of $1,000.

"Class A Manager" has the meaning set forth in Section 3.2(a).

"Class A Observer" has the meaning set forth in Section 3.2(b).

"Class A Unit" means a Unit representing a fractional part of the
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membership interests of the Company and having the rights and obligations specified with respect to a Class A Unit in this Agreement which shall be limited to the 45,000 Units issued to Avalon Investors on the First Closing Date, and any other Class A Units that may be issued to Avalon Investors pursuant to Section 7 of the Members Agreement.

"Class B Unit" means a Unit representing a fractional part of the
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membership interests of the Company and having the rights and obligations specified with respect to a Class B Unit in this Agreement.

"Class B-1 Unit" means a Class B Unit of the subclass to be issued to
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Avalon Cable New England, Inc.

"Class B-2 Unit" means a Class B Unit of the subclass to be issued to
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Avalon Cable Michigan.

"Code" means the United States Internal Revenue Code of 1986, as
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amended and effective as of the date of this Agreement. Such term will be deemed to include any future amendments to such statutes and any corresponding provisions of succeeding statutes which are mandatory. Such term will also be deemed to include any future amendments or succeeding statutes which call for an election by the Company as to the application of the amendment or succeeding statutes to the Company if the Tax Matters Partner so elects, to the extent that the Tax Matters Partner determines that any such amendments and succeeding statutes do not materially and adversely affect the economic interests of the Unitholders.

"Company" means the Delaware limited liability company formed and
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governed pursuant to this Agreement.

"Company Indebtedness" has the meaning set forth in Section 4.7.

"Distribution" means each distribution made by the Company to a
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Unitholder, whether in cash, securities of the Company or other property and whether by liquidating distribution, redemption, repurchase or otherwise; provided, that none of the following will be a Distribution: (i) any Special
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Distribution; (ii) any recapitalization or exchange of securities of the Company; (iii) any

subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units; and (iv) a Permitted Redemption.

"Equity Securities" of any Person means: (i) any capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or non-voting, whether preferred, common or otherwise, and including any stock appreciation, contingent interest or similar right); and (ii) any option, warrant, security or other right (including debt securities) directly or indirectly convertible into or exercisable or exchangeable for, or otherwise to acquire directly or indirectly, any stock, interest, any contract right, any form of derivative, participation or security described in clause (i) above.

"Fair Market Value" of any asset as of any date means the purchase price which a willing buyer having all relevant knowledge would pay a willing seller for such asset in an arm's-length transaction.

"Financing Agreement" means any agreement, document or instrument arising from or related to Indebtedness of the Company.

"First Closing Date" means the date upon which the Class A Units were originally issued.

"First Test Date" means the 30th day after the eighth anniversary of the First Closing Date.

"Fiscal Year" means the Company's fiscal year, which shall be the calendar year unless the Managers determine otherwise.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time.

"Indebtedness" means at a particular time, without duplication, (i) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money, (ii) any indebtedness evidenced by any note, bond, debenture or other debt security, (iii) any indebtedness for the deferred purchase price of property or services with respect to which a Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the ordinary course of business), (iv) any commitment by which a Person assures a creditor against loss (including, without limitation, contingent reimbursement obligations with respect to letters of credit), (v) any indebtedness guaranteed in any manner by a Person (including, without limitation, guarantees in the form of an agreement to repurchase or reimburse), (vi) any obligations under capitalized leases with respect to which a Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or with respect to which obligations a Person assures a creditor against loss, (vii) any indebtedness secured by a Lien on a Person's assets

and (viii) any unsatisfied obligation for "withdrawal liability" to a "multiemployer plan" as such terms are defined under ERISA.

"Lehman Bridge Loan" means the Bridge Credit Agreement dated as of the First Closing Date by and among the Company, Avalon Cable Michigan, Inc. and the other parties whose names appear on the signature pages thereto, as in effect from time to time.

"Liquidator" has the meaning set forth in Section 10.2.

"Losses" means items of loss and deduction of the Company determined according to Section 6.2.

"Majority" means, with respect to the Managers, a combination of any of such Managers constituting more than fifty percent (50%) of the number of Managers who are then elected and qualified.

"Majority in Voting Interest" means Members which own Units having aggregate Voting Interests in excess of 50%.

"Manager" or "Board" means David Unger, Joel Cohen, Jay Grossman, Peggy Koenig, Royce Yudkoff or any other Person that succeeds any of them in his or her capacity as a manager of the Company or is elected to act as an additional manager of the Company as provided in this Agreement.

"Member" means each Person designated as a member on the attached Schedule 1 and hereby made a part of this Agreement, any successor or successors to all or any part of any such Person's interest in the Company, or any other Person admitted as a member of the Company in accordance with this Agreement, each in the capacity as a member of the Company.

"Members Agreement" means that certain Amended and Restated Members Agreement dated as of the date of this Agreement by and among the Company and the Members, as in effect from time to time.

"Member Nonrecourse Deductions" mean "partner nonrecourse deductions" as determined in accordance with Treasury Regulations Section 1.704-2(i)(2).

"Mercom" means Mercom, Inc., a Delaware corporation.

"Michigan Holdings" means Avalon Cable of Michigan Holdings, Inc., a Delaware corporation.

"Minimum Gain" means Company minimum gain determined pursuant to Treasury Regulation Section 1.704-2(d).

"Net Aggregate Taxable Operating Income" means, with respect to any holder of Units, the amount, if any, by which taxable income allocated to such holder for all Fiscal Years exceeds taxable losses allocated to such holder for all Fiscal Years, except that taxable income or loss shall not include any gains whatsoever allocated under Section 704(c) of the Code pertaining to "precontribution gain" as that term is used in Treasury Regulation Section 1.704-3(a). Notwithstanding the foregoing, Net Aggregate Taxable Operating Income shall include any gains allocated under Section 704(c) of the Code pertaining to "precontribution gain" but only to the extent such gains are recognized by the Company with respect to an isolated sale or disposition of tangible assets not accompanied, directly or indirectly, by a sale or disposition of intangible assets.

"Net Losses" has the meaning set forth in Section 8.1(b).

"Net Profits" has the meaning set forth in Section 8.1(a).

"New Bridge Loan" means a loan to the Company: (i) the proceeds of which are used to fund in whole or in part acquisitions by the Company or its Subsidiaries and/or costs associated therewith; (ii) bearing interest at a maximum rate per annum equal to (A) at any time when any amount remains outstanding under the Lehman Bridge Loan, the rate in effect at such time under such loan plus 100 basis points, or (B) at any time when there are no amounts outstanding under the Lehman Bridge Loan, the rate equal to the yield implied by the trading price of securities issued to refinance the Bridge Facilities plus 50 basis points; (iii) that is subordinated to the same extent as, and that has the same interest payment restrictions as, the Avalon Bridge Loan; and (iv) are convertible only on the same terms and conditions as the Avalon Bridge Loan. Each New Bridge Loan shall be evidenced by a promissory note substantially in the form attached hereto as Exhibit A.

"Nonrecourse Deductions" have the meaning set forth in Treasury Regulation Section 1.704-(2)(e).

"Paid Distributions" as of any Test Date, means the aggregate Distributions paid in respect of the Class A Units, on or prior to such Test Date, pursuant to Section 7.1.

"Permitted Pari-Passu Equity" has the meaning set forth in Section 3.12(b).

"Permitted Redemption" means the redemption of Equity Securities issued to any management employee of or consultant to the Company or any of its Subsidiaries in connection with any termination of employment or consulting arrangement.

"Person" means any individual, corporation, partnership, limited liability company, trust, joint venture, governmental entity or other unincorporated entity, association or group.

"PPPE Applicable Rate" for any PPPE Unit means the annual percentage rate upon which the preferred return, if any, in respect of such PPPE Units shall accrue.

"PPPE Capital Value" for any PPPE Unit means the aggregate amount of
Capital Contributions made in respect of such PPPE Unit.

"PPPE Issuance Date" for any PPPE Unit means the date upon which the
Company issues such PPPE Unit.

"PPPE Unit" means a Unit representing a fractional part of the
membership interests of the Company and constituting Permitted Pari-Passu
Equity.

"PPPE Unpaid Yield" on any PPPE Unit means, as of any date, an amount
equal to the excess, if any, of (a) the aggregate PPPE Yield accrued on such
PPPE Unit prior to such date, over (b) the aggregate amount of prior
Distributions made on such PPPE Unit by the Company pursuant to Section 7.1(b).

"PPPE Unreturned Capital Value" for any PPPE Unit means the amount of
the PPPE Capital Value for such PPPE Unit, reduced by all Distributions made by
the Company in respect of such Unit pursuant to Section 7.1(c).

"PPPE Yield" on any PPPE Unit means the amount accruing in respect of
such Unit on an annual or other specified basis, at the PPPE Applicable Rate for
such PPPE Unit in effect from time to time, on (a) the PPPE Unreturned Capital
Value for such PPPE Unit plus (b) the PPPE Unpaid Yield for such PPPE Unit for
all prior annual or other applicable periods (or portions thereof). In
calculating the amount of any Distribution to be made during an annual or other
applicable period, the portion of the PPPE Yield for such portion of such annual
or other applicable period elapsing before such Distribution is made will be
taken into account.

"Prior Agreement" has the meaning set forth in the recitals.

"Profits" means items of income and gain of the Company determined
according to Section 6.2

"Reference Rate" means the rate equal to the yield implied by the
trading price of securities issued to refinance the Bridge Facilities plus 50
basis points.

"Related Agreements" means the Securities Purchase Agreement and the
Members Agreement.

"Related Boards" means each of the boards of directors or similar
governing bodies of Avalon Cable Holdings and its Subsidiaries (other than
Company).

"Related Party" means ABRY, ABRY Partners, Inc., a Delaware
corporation, Avalon Cable Finance, Inc., a Delaware corporation, Avalon Cable
Holdings, Avalon Cable Holdings Finance, Inc., a Delaware corporation, Michigan
Holdings, Avalon Cable Michigan, Avalon New

England, Inc., Avalon New England LLC, Mercom and each of their respective Subsidiaries and Affiliates.

"Related-Party Agreement" means any agreement, contract or arrangement between the Company and/or any of its Subsidiaries, on the one hand, and any other Related Party (other than the Company or any of its Subsidiaries), on the other hand.

"Restricted Reorganization" means any reorganization of the Company whether by merger, consolidation, any reclassification or other change of any Units or any recapitalization of the Company, in each case only where: (i) the Company is not the surviving entity to the reorganization; (ii) the classification of the Class A Units as equity interests for federal income tax purposes is affected; (iii) the securities received by the Class A Unitholders would materially adversely affect the interest of the Class A Unitholders; or (iv) the rights and priorities of the Class A Units, including, but not limited to, Yield, Capital Value, Allocations, Distributions and voting rights as provided for in this Agreement are adversely affected.

"Sale of the Company" means any direct or indirect sale or other disposition of all or substantially all of the consolidated assets of the Parent and its Subsidiaries, including, but not limited to, Avalon Michigan LLC and Avalon New England LLC, whether by means of a sale or other disposition of assets, a sale or other disposition of Equity Securities (including a sale or disposition of Equity Securities of the Company and/or its Members or the direct or indirect owners of its Members), a merger, a consolidation or otherwise, in one or more transactions; except that for purposes of Section 3.1(b)(vi) and Section 10.1, the word "Parent" as it appears in the first sentence of this definition shall be replaced with the word "Company".

"Securities Purchase Agreement" means that certain Securities Purchase Agreement dated as of November 6, 1998 among the Company, Avalon Cable Holdings, Michigan Holdings, Avalon Cable Michigan, Avalon New England, Inc. and Avalon Investors, as in effect from time to time.

"Special Capital Account Adjustment" mean an allocation of Net Profits pursuant to Section 8.1(a)(v)(a) to Unitholders which own Class A Units such that after this allocation, the Net Aggregate Allocation of Section 8.1(a)(v) Profits for each Unitholder of Class A Units equals the Target Amount for each Unitholder of Class A Units. The "Net Aggregate Allocation of Section 8.1(a)(v) Profits" for each Unitholder which owns Class A Units equals the aggregate allocations of Net Profits to such owner's Class A Units that have been made pursuant to Section 8.1(a)(v)(a) and (b) for all periods, reduced by the aggregate allocations of Net Losses pursuant to Section 8.1(b)(i) that have been made against the Net Profits of such owner's Class A Units allocated under Section 8.1(a)(v)(a) and (b). The "Target Amount" for each Unitholder is determined by multiplying the number of Units owned by such Unitholder as a percentage of the total number of Units outstanding, by an amount equal to the Aggregate Capital Balances, as defined herein. The "Aggregate Capital Balances" equal the net positive Capital Account balances of all Unitholders which own Class B Units with respect to those Class B Units, increased by the Net Aggregate Allocation of Section 8.1(a)(v) Profits for all Unitholders which own Class A Units, including the allocation being currently made of Net Profits under Section 8.1(a)(v)(a). However, the Aggregate Capital Balances taken into account for all Unitholders in determining the amount of the allocation of Net Profits pursuant to Section 8.1(a)(v)(a) shall be calculated before any allocation of Net Profits under Section 8.1(a)(v)(b) is made for the same year. No allocation of Net Profits under the Special Capital Account Adjustment shall be made to Unitholders which own Class B Units with respect to such Class B Units. Moreover, no negative allocation of Net Profits shall be made under the Special Capital Account Adjustment. In addition, the Special Capital Account Adjustment shall not be made for any year to the extent that Capital Account balances of all Unitholders which own Class B Units with respect to Class B Units, is not a positive number immediately prior to the time that such adjustment would otherwise be made.

For example, assume that as of Year X, a Unitholder of Class A Units owns 40,000 Class A Units (which comprise all of the Class A Units), and the total number of Units outstanding equals 551,724 Units. Thus the number of Units owned by such Unitholder as a percentage of the total number of Units outstanding equals 7.25 percent. Assume the net positive Capital Account balances of all Unitholders which own Class B Units with respect to those Class B Units equals $45,000,000. In addition, assume that the Net Aggregate Allocation of Section 8.1(a)(v) Profits with respect to the Unitholder of Class A Units, before determining the allocation being currently made, is equal to zero. In such a case, a Special Capital Account Adjustment, i.e., an allocation of Net Profits to the Unitholder of Class A Units pursuant to Section 8.1(a)(v)(a), will be necessary. The amount of Net Profits that will be allocated pursuant to Section 8.1(a)(v)(a), (assuming Net Profits exist adequate to make such allocation) will be equal to $3,517,520. After such allocation, the Net Aggregate Allocation of Section 8.1(a)(v) Profits with respect to the Unitholder of Class A Units will be equal to $3,517,520. This equals the Target Amount for such Unitholder which is equal to 7.25 percent multiplied times the sum of $45,000,000 and $3,517,520. Assume, in Year X, that Net Profits actually allocated pursuant to Section 8.1(a)(v)(a) are equal to $3,517,520, and that an additional $1 million of Net Profits is allocated for such year under Section 8.1(a)(v)(b). Note that the additional $1 million of Net Profits allocated for such year under Section 8.1(a)(v)(b) is not taken into account in determining the amount of Net Profits allocated under Section 8.1(a)(v) for such year,

although it will be taken into account in making such calculations for subsequent years. Note also that allocations of Yield to the owners of Class A Units (and other higher priority allocations), which occur prior to any allocations discussed in this definition, are not taken into account for purposes of these calculations.

Assume in the subsequent year, that the net positive Capital Account balances of all Unitholders which own Class B Units are equal to $45,927,500. (This equals the initial Capital Account balance of $45,000,000, plus an allocation of 92.75 percent of $1 million in Net profits under Section 8.1(a)(v)(b) for the previous year.) In addition, assume that the number of Units owned by all Persons remains the same. The Net Aggregate Allocation of Section 8.1(a)(v) Profits for each Unitholder which owns Class A Units is equal to $3,590,020. (This equals the allocation of $3,517,520 under Section 8.1(a)(v)(a) in Year X, plus 7.25 percent of the $1 million allocated in Year X under Section 8.1(a)(v)(b). No additional allocation of Net Profits pursuant to Section 8.1(a)(v)(a) will be required, since the Net Aggregate Allocation of Section 8.1(a)(v) Profits for each Unitholder which owns Class A Units is equal to $3,590,020, which equals the Target Amount. The Target Amount is equal to 7.25 percent multiplied by the sum of $45,927,500 and $3,590,020. Thus, since no additional allocation of Net Profits pursuant to Section 8.1(a)(v)(a) will be required, any additional profits remaining shall be allocated under the residual provision of Section 8.1(a)(v)(b) for this year.

The intention of the Special Capital Account Adjustment is to ensure that if the Company proves profitable, owners of Class A Units receive (both in terms of Net Profits as well as in ultimate Distributions): (i) the Yield with respect to such Units, (ii) the Capital Value with respect to such Units, and (iii) a residential amount of any gains remaining based on the number of Units owned by such Unitholder as a percentage of the total number of Units outstanding. (In the example, the residual amount is 7.25 percent). However, the appropriate residual amount will not be achieved to the extent that the Class B Units have a positive capital account balance before the allocation of residual profits is made based on the 92.75 percent/7.25 percent (in the example) residual sharing ratio of Section 8.1(a)(v)(b). In such a situation, the Class B Units will receive more than 92.75 percent (in the example) of the residual amount, since their initial positive Capital Account Balance will increase the amount received and the total will exceed 92.75 percent (in the example) of the residual amount left after payment of the Yield and Capital Value with respect to owners of Class A Units. Thus, the purpose of the Special Capital Account Adjustment is to allocate additional Net Profits to the owners of Class A Units so that the "starting point" for such Class A Units (excluding Yield and Capital Value) is proportionate, based on the percentage of total Units owned, to the "starting point" for Class B Units which equals the positive Capital Account balances for such Class B Units. Thus, additional profits are allocated to the Holders of Class A Units, so that the "starting point" for such Units equals 7.25 percent (in the example) of the sum of the positive Capital Account balances for all Class B Holders and the additional profits that have been just been allocated to the owners of Class A Units.

"Special Distribution" means a distribution made pursuant to Section
 ---------- 7.3.

"Special Sale" means a sale or other disposition, directly or
indirectly, of the equity interest or all or substantially all of the consolidated assets of Avalon New England LLC.

"Special Sale Price" means the sum of the aggregate cash consideration and the aggregate Fair Market Value of any other property paid by the acquiror(s) in connection with a Special Sale.

"Special Sale Proceeds" means the cash portion of the Special Sale Price received by Unitholders.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes of this Agreement, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director, managing member, or general partner of such limited liability company, partnership, association or other business entity.

"Target Distribution Amount" on the Class A Units means, on the First Test Date, an amount equal to the aggregate Yield accrued on such Class A Unit during such the first Target Year. The Target Distribution Amount will increase on each anniversary of the First Test Date in the amount equal to the aggregate Yield accrued on the Class A Units during the immediately preceding Target Year.

"Target Year" means any 12-month period beginning on either the seventh anniversary of the First Closing Date or any anniversary of such date.

"Tax Distribution Amount" means the Net Aggregate Taxable Operating Income of the Company allocated to such holder, multiplied by the combined Federal and New York State maximum, effective marginal individual tax rates.

"Tax Matters Partner" has the meaning set forth in Code Section 6231.

"Test Date" means the First Test Date and any day thereafter.

"Transfer" has the meaning which the Members Agreement assign to that term.

"Transferor Member" has the meaning set forth in Section 11.4.

"Treasury Regulations" means the income tax regulations promulgated under the Code and effective as of the date of this Agreement. Such term will be deemed to include any future amendments to such regulations and any corresponding provisions of succeeding regulations which are mandatory. Such term will also be deemed to include any future amendments or succeeding regulations which call for an election by the Company as to the application of the amendment or succeeding regulation to the Company if the Managers so elect, to the extent that the Managers determine that any such amendments and succeeding regulations do not materially and adversely affect the economic interests of the Unitholders.

"Unallocated Yield" on any Class A Unit means, as of any date, an amount equal to the excess, if any, of (a) the aggregate Yield accrued on such Class A Unit prior to such date, over (b) the aggregate amount of all prior allocations pursuant to Sections 8.1(a)(ii) and (iii) in respect of such Class A Unit reduced by the aggregate amount of all prior allocations pursuant to Section 8.1(b)(iii) in respect of such Class A Unit.

"Unit" means a fractional part of the membership interests of the Company; provided, that any class of Units issued will have designations, preferences or special rights set forth in this Agreement and the Company interest represented by such class of Units will be determined in accordance with such designations, preferences or special rights.

"Unitholder" means any Person, whether or not a Member, in its capacity as owner of one or more outstanding Units, as reflected on the Company's books and records.

"Unpaid Yield" on any Class A Unit means, as of any date, an amount equal to the excess, if any, of (a) the aggregate amount of the accrued Yield on such Class A Unit accrued for all prior annual periods (or portions thereof) as of such date over (b) the aggregate amount of all prior Distributions made by the Company pursuant to Section 7.1(a) in respect of the Unpaid Yield on such Class A Unit and all prior Distributions made on such Class A Unit pursuant to Section 7.1(b).

"Unreturned Capital Value" with respect to any Class A Unit, means the amount of the Capital Value for such Class A Unit, reduced by the aggregate amount of all prior Distributions made by the Company pursuant to Section 7.1(a) in payment of the Unreturned Capital Value of such Class A Unit and all Distributions made by the Company in respect of such Unit pursuant to Section 7.1(c).

"Voting Interest" with respect to Class B Units held by any Member means the percentage which such Class B Units represent of the aggregate number of Class B Units held by Persons who are Members. Class B Units which are owned by Persons who are not Members and Class A Units will have no Voting Interest.

"Yield" on any Class A Unit means the amount accruing in respect of such Unit on an annual basis, at the Applicable Rate in effect from time to time calculated by multiplying such Applicable Rate by the sum of subparagraphs (a) and (b). Subparagraph (a) shall equal the Unreturned Capital Value for such Class A Unit. Subparagraph (b) shall equal the aggregate yield accrued, at the Applicable Rate, on such Class A Unit prior to such date for all prior annual periods (or portions thereof) ending on December 31, less the aggregate amount of all prior Distributions made by the Company pursuant to Section 7.1(a) in respect of the Unpaid Yield on such Class A Unit and all prior Distributions made on such Class A Unit pursuant to Section 7.1(b). In calculating the amount of any Distribution to be made during an annual period, the portion of the Yield on any Class A Unit for such portion of such annual period elapsing before such Distribution is made will be taken into account. Similarly, in determining the Yield, Unallocated Yield, or Unpaid Yield as of any particular date in question, for purposes of this Agreement or any other agreement, the Yield on any Class A Unit for the portion of such annual period prior to and ending upon the particular date in question will be taken in account and will be included in the determination of Yield, Unallocated Yield, or Unpaid Yield, as the case may be.

1.2 OTHER DEFINITIONAL PROVISIONS. Capitalized terms used in this Agreement which are not defined in this Article I have the meanings contained elsewhere in this Agreement. Defined terms used in this Agreement in the singular shall import the plural and vice versa.

ARTICLE II
FORMATION OF THE COMPANY

2.1 NAME AND FORMATION. The name of the Company is "Avalon Cable LLC" The Company was formed upon the filing of the Certificate of Formation of the Company with the Secretary of State of the State of Delaware on October 21, 1998, pursuant to the Act. This Agreement shall constitute the "limited liability company agreement" (as that term is used in the Act) of the Company.

2.2 PRINCIPAL PLACE OF BUSINESS. The Company may locate its place or places of business and registered office at any other place or places as the Managers may from time to time deem necessary or advisable.

2.3 REGISTERED OFFICE AND REGISTERED AGENT. The Company's registered office shall be at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, and the name of its initial registered agent at such address shall be The Corporation Trust Company.

2.4 TERM. The term of existence of the Company shall be perpetual from the date its Certificate of Formation was filed with the Secretary of State of Delaware, unless the Company is earlier dissolved in accordance with either the provisions of this Agreement or the Act.

2.5 PURPOSES AND POWERS. The purposes and character of the business of the Company shall be to transact any or all lawful business for which limited liability companies may be organized under the Act. Notwithstanding the foregoing, so long as there is any Unpaid Yield or Unreturned Capital Value with respect to the Class A Units, without the consent of a majority of the holders of the Class A Units, the Company shall not engage in any business other than in the operation and development of cable television systems, internet and telephony services, any other business activity conducted by cable or subscription television companies from time to time, and in each case any activity reasonably related or incidental thereto and reasonable extensions thereof. The Company shall have any and all powers which are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the Act. The Company shall carry out the foregoing activities pursuant to the arrangements set forth in this Agreement.

ARTICLE III
RIGHTS AND DUTIES OF MANAGERS

3.1 MANAGEMENT.

(a) AUTHORITY GENERALLY. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under, the Managers. In addition to the powers and authorities expressly conferred by this Agreement upon the Managers, the Managers may exercise all such powers of the Company and do all such lawful acts and things as are not directed or required to be exercised or done by the Members by the Act or this Agreement, including, but not limited to, contracting for or incurring debts, liabilities and other obligations on behalf of the Company. Except as otherwise expressly provided in this Agreement, no Member (in such capacity) shall have the authority or power to act for or on behalf of the Company; to take part in the day-to-day management, the operation, or control of the business and affairs of the Company; to do any act that would be binding on the Company; or to incur any expenditures, debts, liabilities or obligations on behalf of the Company. No non-Member Manager will be treated by virtue of its position as Manager of the Company as a Member of the Company or as a partner of or joint venturer with any Member of the Company. The provisions of this Article III concerning the Managers and the actions thereof are subject to the provisions of the Members Agreement.

(b) LIMITATION OF AUTHORITY. So long as there is any Unpaid Yield or Unreturned Capital Value with respect to the Class A Units, without first obtaining the

written consent of Members which own a majority of the outstanding Class A Units owned by Members, the Managers shall not have the authority to:

(i) create new classes of Equity Securities senior or pari passu to the Class A Units in right of allocation or payment of the Unpaid Yield or Unreturned Capital Value (including in connection with a Special Distribution), except as otherwise provided in Section 3.12(b);

(ii) redeem securities of the Company ranking junior to the Class A Units in right of allocation or payment of the Unpaid Yield or Unreturned Capital Value (including in connection with a Special Distribution), except for Permitted Redemptions;

(iii) make Distributions to any class of Equity Securities, except for Distributions in respect of Class A Units or Distributions made in respect of Permitted Pari-Passu Equity in accordance with Section 3.12(b); provided, that the Managers shall be permitted to cause the Company to make Distributions in accordance with Section 7.1(a) without first having obtained the written consent of such Members;

(iv) authorize the issuance of additional Class A Units (other than for issuance to Avalon Investors pursuant to Section 7 of the Members Agreement) or any security convertible into or exercisable or exchangeable for Class A Units;

(v) mandate additional capital contributions by holders of Class A Units (other than pursuant to Section 7 of the Members Agreement or Section 7.2(a) of this Agreement);

(vi) admit or cause to admit additional members to Avalon Michigan LLC or Avalon New England LLC (other than the Company), or issue Equity Securities of such entities (other than to the Company), or directly or indirectly cause a sale or other disposition of more than 50% (but not a Sale of the Company) of the consolidated assets of the Company and its Subsidiaries, taken as a whole;

(vii) authorize or cause, directly or indirectly, Avalon Michigan LLC or Avalon New England LLC or any direct or indirect Subsidiary of the Company to engage in transactions or other acts that the Company is prohibited from engaging in pursuant to the terms and conditions of this Agreement;

(viii) enter into and/or amend or otherwise change any Related Party Agreement other than issuances of Equity Securities of the Company and Permitted Pari Passu Equity in accordance with this Agreement, provided, that the Company may: (i) borrow money from Related Parties pursuant to New Bridge Loans; (ii)

amend this Agreement pursuant to the terms hereof; (iii) amend the Members Agreement pursuant to the terms thereof; and (iv) make payments of types permitted under Section 7.6(c) or (f) of the Senior Credit Agreement.

(ix) issue any Equity Securities of the Company to employees, consultants, officers or directors of the Company other than for cash in a transaction in which the owners of Class A Units are entitled to participate as provided in the right of first refusal granted in Section 6(a) of the Members Agreement;

(x) authorize or give effect to a Restricted Reorganization; or

(xi) amend any of Sections 3.1(b)(i) through (b)(xi) hereof.

3.2 NUMBER AND QUALIFICATIONS; CLASS A OBSERVER.

(a) The number of Managers of the Company initially shall be five, and may be increased or decreased by the Managers from time to time; provided, that: (i) in the event that a Sale of the Company has not been effected on or prior to the eleventh anniversary of the First Closing Date, but only until a Sale of the Company occurs; or (ii) so long as Paid Distributions are less than or equal to the Target Distribution Amount on any Test Date, the number of Managers of the Company shall be increased by one additional member (as the case may be, the "Class A Manager") and the vacancy resulting therefrom shall be filled by action of Members which own a majority of the Class A Units owned by Members; provided further, that if at any time the right to designate the Class A Manager ceases, the Class A Manager shall be automatically removed as a Manager and the number of Managers will be reduced by one (subject to later increase by the Managers or as provided in this proviso) once a Sale of the Company occurs. Neither the Managers nor the Class A Observer need be residents of the State of Delaware.

(b) The Members which own a majority of the Class A Units owned by Members shall be entitled to designate an individual who may attend meetings (whether such meetings are conducted in person or by telephone) of the Board or any committee of the Board (the "Class A Observer"); provided, that: (i) at such meetings the Class A Observer shall act in the sole capacity of a non-voting observer; (ii) neither the absence of the Class A Observer from any meeting of the Board nor the absence of notice to the Class A Observer shall prevent the transaction of business in accordance with this Article III at any of such meetings or affect the validity of any written action of the Managers in lieu of a meeting in accordance with this Article III; and (iii) the Board may exclude the Class A Observer from any meeting to the extent that, in the Board's reasonable judgment the presence of the Class A Observer at such meeting could result in the waiver by the Company of any evidentiary or discovery privilege between the Company and its professional advisors.

(C) The Company shall give the Class A Observer: (i) notice of meetings of the Board or any committee of the Board as and when the same are given to the Managers; (ii) notice of meetings of the Related Boards or any committee of such Related Boards as and when the same are given to the members of such Related Boards; and (iii) all materials provided to the Board or any committee of the Board, except to the extent that, in the Board's reasonable judgment, the release of such materials or information by the Company or any of its Affiliates would result in the waiver by the Company or such Affiliate of any evidentiary or discovery privilege between the Company and its professional advisors. The Class A Observer shall agree to hold in confidence and trust and not to misuse or disclose any confidential information provided to the Class A Observer in accordance with this Section 3.2 or otherwise.

3.3 ELECTION. The individuals identified in the definition of the term "Manager" are hereby elected to serve as the initial Managers. Each such individual, or any other Manager, shall hold office until he or she dies, resigns or is removed by action of the Members (except as provided in the proviso to Section 3.2(a)).

3.4 VACANCY. Any vacancy occurring for any reason in the number of Managers (including by an increase in the number of Managers authorized pursuant to Section 3.2) shall be filled by action of the Members.

3.5 REMOVAL. Managers may be removed at any time, with or without cause, by action of the Members; provided, that: (i) a Class A Manager elected under the proviso to Section 3.2(a) can be removed only upon action of the Members which own a majority of the Class A Units owned by Members; and (ii) the vacancy resulting from a removal of the Class A Manager pursuant to the preceding clause (i) shall be filled by action of the Members which own a majority of the Class A Units owned by Members.

3.6 MEETINGS OF MANAGERS. Meetings of the Managers may be held at such time and place either within or without the State of Delaware as shall from time to time be determined by the Managers. Initially, the Managers shall have meetings at least once each calendar quarter. Meetings of the Managers may be called by a Majority of the Managers on not fewer than five (5) Business Days' written notice to each Manager, unless such meeting shall be conducted by telephone, in which case such written notice must be given not fewer than two (2) Business Days prior to such meeting.

3.7 QUORUM. At all meetings of the Managers, the presence of a Majority of the Managers shall be necessary and sufficient to constitute a quorum for the transaction of business unless a greater number is required by law. The act of a Majority of the Managers shall be the act of the Managers, except as otherwise provided by law or this Agreement. If a quorum shall not be present at any meeting of the Managers, the Managers present at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A Manager may vote or be present at a meeting either in Person or by proxy.

3.8 ATTENDANCE AND WAIVER OF NOTICE. Attendance of a Manager at any meeting shall constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Managers need be specified in the notice or waiver of notice of such meeting.

3.9 COMPENSATION OF MANAGERS. Managers, as such, shall not receive any stated salary for their services; provided, that any Manager which is not a Related Party or affiliated with a Related Party (other than by reason of being a manager, or serving in a similar capacity, thereof) shall receive such compensation for its or his services as may be from time to time agreed upon by a Majority in Voting Interest. In addition, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Managers, provided that nothing contained in this Agreement shall be construed to preclude any Manager from serving the Company in any other capacity and receiving compensation for such service.

3.10 OFFICERS. The Managers may, from time to time, designate one or more Persons to be officers of the Company. The initial officers of the Company are listed on the attached Schedule II. No officer need be a Member or a Manager. Any officers so designated shall have such authority and perform such duties as the Managers may, from time to time, delegate to them. Without limiting the foregoing, the officers (who shall at all times be subject to the authority of the Board) will have the authority to conduct the day-to-day operations of the Company consistent with and in the ordinary course of its business. The Managers may assign titles to particular officers, including, without limitation, chief executive officer, president, vice president, chief operating officer, secretary, assistant secretary, treasurer and assistant treasurer. Each officer shall hold office until his or her successor shall be duly designated and shall qualify or until his or her death or until he or she shall resign or shall have been removed. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Managers. Any officer may be removed as such, either with or without cause, by the Managers whenever in their judgment the best interests of the Company will be served thereby. Any vacancy occurring in any office of the Company may be filled by the Managers.

3.11 COMMITTEES OF MANAGERS.

(a) CREATION. The Managers may, by resolution, designate from among the Managers one or more committees (including, but not limited to, an Audit Committee, a Nominating Committee, and a Compensation Committee), each of which shall be comprised of one or more Managers, and may designate one or more of the Managers as alternate members of any committee, who may, subject to any limitations imposed by the Managers, replace absent or disqualified Managers at any meeting of that committee. Any such committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Managers, subject to the limitations set forth in the Act or in the

establishment of the committee. Any members thereof may be removed by a Majority of the Managers. Unless the resolution designating a particular committee or this Agreement expressly so provides, a committee of the Managers shall not have the authority to authorize or make a distribution of Company cash or property to the Members or to authorize the issuance of interests in the Company.

(b) LIMITATION OF AUTHORITY. No committee of the Managers shall have the authority of the Managers in reference to:

(i) amending this Agreement, except that a committee may, to the extent provided in the resolution designating that committee or in this Agreement, exercise the authority of the Managers provided in this Agreement to establish the relative rights and preferences of the membership interests of any class or series;

(ii) approving a plan of merger of the Company;

(iii) recommending to the Members a voluntary dissolution of the Company or a revocation thereof;

(iv) fixing the compensation of any member or alternate members of such committee; or

(v) altering or repealing any resolution of the Managers that by its terms provides that it shall not be so amendable or repealable.

3.12 ISSUANCES OF UNITS; CREATION OF NEW CLASSES OF EQUITY SECURITIES.

(a) Subject to Section 3.12(b) and Section 3.1(b), the Managers shall have sole and complete discretion in determining whether to cause the Company to issue Units, the number of Units to be issued at any particular time, the purchase price or Capital Contribution(s) for any Units issued, and all other terms and conditions applicable to Units and/or governing the issuance of Units; provided, that the Managers shall not issue Units to any Person unless the issuance of the Units satisfies the conditions set forth in Section 11.1. The purchase price or Capital Contribution(s) for any Unit shall be paid to the Company in cash or cash equivalents, or if approved by the Managers, any other form of consideration; provided, that non-cash consideration shall be allowed in the following cases only:

(i) the issuance of Units to Persons who are not Related Parties; and

(ii) the issuance of Units in connection with the conversion of any New Bridge Loans.

(b) Without first obtaining the written consent of Members which own a majority of the outstanding Class A Units owned by Members, the Managers shall not create new classes of Equity Securities senior or pari passu to the Class A Units in right of allocation of or payment of the Unpaid Yield or Unreturned Capital Value (including in connection with a Special Distribution); except that the Managers will be permitted to authorize and cause the Company to issue Units of one or more other classes ("Permitted Pari Passu Equity") so long as the terms of the Class A Units are more favorable to such Units at least as follows:

(i) prior to any Distribution being made in respect of the Permitted Pari-Passu Equity, all of the Unreturned Capital Value and Unpaid Yield accrued on the Class A Units as of the date of the issuance of such Permitted Pari-Passu Equity (the "Permitted Pari Passu Equity Issuance Date"), if any, shall be paid in full. No Distributions described in Section 3.12(b)(ii) in respect of such Permitted Pari Passu Equity shall be made until the entire amount of the Unreturned Capital Value and Unpaid Yield as of the Permitted Pari Passu Equity Issuance Date has been paid in full;

(ii) after the Distributions described above in clause (i) of this Section 3.12(b) have been made, Distributions up to the amount of the PPPE Unreturned Capital Value in respect of such Permitted Pari Passu Equity may be made to the holders of such Permitted Pari-Passu Equity prior to any additional Distributions being made in respect of the Class A Units. However, after the Distributions described above in clauses (i) and (ii) of this Section 3.12(b) have been made, Distributions of (A) the Unpaid Yield accruing on the Class A Units since the Permitted Pari Passu Equity Issuance Date and (B) PPPE Unpaid Yield in respect of such Permitted Pari Passu Equity, if any, will be paid on a pari passu basis, pro rata according to the unpaid accrued amounts;

(iii) the Permitted Pari-Passu Equity shall not be subject to mandatory redemption that would enable the holders thereof to receive any amount that they would not be entitled to receive in accordance with the distribution priority set forth above in clauses (i) and (ii) of this Section 3.12(b); and

(iv) prior to the First Test Date, the Company shall not be contractually obligated to pay, and shall not pay, Distributions of the PPPE Unpaid Yield in respect of such Permitted Pari Passu Equity in an amount that they would not be entitled to receive in accordance with the distribution priority set forth above in clauses (i) and (ii) of this Section 3.12(b).

(c) Any sale and issuance of Permitted Pari Passu Equity and the terms thereof shall be based on reasonably negotiated terms entered into in good faith by the Company and the purchaser of such Permitted Pari Passu Equity.

(d) Without first obtaining the written consent of Members which own a majority of the outstanding Class A Units owned by Members, the Permitted Pari Passu Equity shall not be issued to a Related Party or its Affiliate.

3.13 ACTIONS WITHOUT A MEETING AND TELEPHONE MEETINGS. Notwithstanding any provision contained in this Agreement, any action of the Managers may be taken by written consent without a meeting, or any meeting thereof may be held by means of a conference telephone connection (subject to Section 3.6). Any such action taken by the Managers without a meeting shall be effective only if the written consent or consents are in writing, set forth the action so taken, and are signed by a Majority of the Managers, or such greater number of Managers, if any, that would be necessary to take such action at a meeting of the Managers.

3.14 INDEMNIFICATION. To the fullest extent permitted by the Act, neither the Managers, officers or Members of the Company nor the Class A Observer shall be liable to the Company or any Member for monetary damages for a breach of duty to the Company or any Member. The Managers, officers, and Members of the Company and the Class A Observer shall be indemnified and held harmless by the Company, including advancement of reasonable attorneys' fees and other expenses, but only to the extent that the Company's assets are sufficient therefor, from and against all claims, liabilities, and expenses arising out of any management of Company affairs (but excluding those caused by the gross negligence or willful misconduct of such Manager, officer, Member or Class A Observer), to the fullest extent permitted by, but subject to all limitations and requirements imposed by, the Act. These indemnification rights are in addition to any rights that the Managers, officers or Members of the Company or the Class A Observer may have against third parties, and will inure to the benefit of the respective heirs and personal representatives of the Managers, officers and Members of the Company and the Class A Observer.

ARTICLE IV
MEETINGS OF MEMBERS

4.1 MEETINGS OF MEMBERS. Meetings of the Members may be called by the Managers or by Members which own Units which represent a Majority in Voting Interest. All meetings of the Members shall be held at the principal office of the Company or at such other place within or without the State of Delaware as may be determined by the Managers or Member(s) calling the meeting and set forth in the respective notice or waivers of notice of such meeting.

4.2 NOTICE OF MEETINGS OF MEMBERS. Written or printed notice stating the place, day and hour of the meeting shall be delivered not fewer than (five) 5 Business Days before the date of the meeting (unless such meeting shall be conducted by telephone, in which case such notice must be

delivered not fewer than two (2) Business Days prior to such meeting), either personally or by any written method by which it is reasonable to expect that the Members would receive such notice not later than the business day prior to the date of the meeting, to each Member having a Voting Interest and to the holders of the Class A Units, by or at the direction of the Member(s) or Manager(s) calling the meeting; provided, that neither the absence of a non-voting representative of the holders of the Class A Units from any meeting of the Members, nor the absence of notice to the holders of the Class A Units shall prevent the transaction of business in accordance with this Article IV at any of such meetings or affect the validity of any written action of the Members in lieu of a meeting in accordance with this Article IV. Such notice may, but need not, specify the purpose or purposes of such meeting and may, but need not, limit the business to be conducted at such meeting to such purpose(s).

4.3 QUORUM. Members which own Units which represent a Majority in Voting Interest shall constitute a quorum at all meetings of the Members, except as otherwise provided by law. Once a quorum is present at the meeting of the Members, the subsequent withdrawal from the meeting of any Member prior to adjournment or the refusal of any Member to vote shall not affect the presence of a quorum at the meeting. If, however, such quorum shall not be present at any meeting of the Members, the Members entitled to vote at such meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until Members which own Units which represent a Majority in Voting Interest shall be present or represented.

4.4 VOTING. For purposes of voting on all matters, other than matters for which another portion is required by the Act, at any meeting of the Members at which a quorum is present, the act of Members which own Units which represent a Majority in Voting Interest will constitute the act of the Members unless the vote of a greater number is required by law or this Agreement. A Member may vote or be present at a meeting either in Person or by proxy. There will be no cumulative voting in the election or removal of Managers.

4.5 REGISTERED MEMBERS. The Company shall be entitled to treat the owner of record of any Units as the owner in fact of such Unit for all purposes, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such Unit on the part of any other Person, whether or not it shall have express or other notice of such claim or interest, except as expressly provided by this Agreement or the laws of the State of Delaware.

4.6 ACTIONS WITHOUT A MEETING AND TELEPHONE MEETINGS. Notwithstanding any provision contained in this Agreement, any action of the Members may be taken by written consent without a meeting, or any meeting thereof may be held by means of a conference telephone connection. Any such action which may be taken by the Members without a meeting shall be effective only if the written consent or consents are in writing, set forth the action so taken, and are signed by Members which own Units which represent not less than the minimum amount of Voting Interest that would be necessary to take such action at a meeting at which all Members entitled to vote on the action were present and voted.

4.7 LIMITATION OF LIABILITY. Except as otherwise provided in the Act or in this Agreement, no Member will be obligated personally for any debt, obligation or liability of the Company or of any other Member by reason of being a Member. Except as otherwise provided in the Act, by law or expressly in this Agreement, no Member will have any fiduciary or other duty to another Member with respect to the business and affairs of the Company. No Member will have any responsibility to restore any negative balance in his or her Capital Account or to contribute to or in respect of the liabilities or obligations of the Company or return distributions made by the Company except as required by the Act or other applicable law.

4.8 NO RIGHT TO WITHDRAW. Except as set forth in Section 11.4, no Member will have any right to resign or withdraw from the Company or to receive any distribution or the repayment of such Member's Capital Contribution, except Distributions as provided in Article VII.

4.9 OUTSIDE ACTIVITIES. Subject to the terms of any agreement by any Member to the contrary, a Member may have business interests and engage in business activities in addition to those relating to the Company, including business interests and activities which compete with the Company. Neither the Company nor any other Member shall have any rights by virtue of this Agreement in any business interests or activities of any Member.

4.10 BUSINESS OPPORTUNITY. The Avalon Members covenant and agree that prior to a Related Party entering into any definitive acquisition agreement relating to cable television systems, within a geographic area served by a cable television system owned and operated by the Company or its Subsidiaries, such Members shall give written notice of the proposed transaction to the Board and the Class A Observer; provided, however, that: (i) regardless of the giving of notice under this Section 4.10, the management, employees or officers of any Avalon Member shall not participate in such proposed transaction unless such transaction is first presented to the Company for its consideration; and (ii) notice to the Board and the Class A Observer under this Section 4.10 shall not be required if such notice is prohibited under confidentiality obligations imposed by a third-party or its representatives.

ARTICLE V
UNIT OWNERSHIP

5.1 UNIT OWNERSHIP. The name, address and Unit ownership of each Member are set forth on the attached Schedule 1. The Managers may amend such Schedule 1 from time to time to reflect changes in such names, addresses and/or ownership, including by reason of the admission or withdrawal of any Member or the issuance or transfer of any Unit. A loan or guarantee to the Company by a Member will not be deemed to be a Capital Contribution.

ARTICLE VI
CAPITAL ACCOUNTS

6.1 GENERALLY. The Company will maintain a separate Capital Account for each Unitholder according to the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). For this purpose, the Company may, upon the occurrence of the events specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), and then only upon the consent of (i) the Members that hold a majority of the Class A Units held by Members, and (ii) the Members that hold a majority of the Class B Units held by Members, increase or decrease the Capital Accounts in accordance with the rules of such Treasury Regulation Section 1.704-1(b)(2)(iv)(g) to reflect a revaluation of Company property. To the extent that the Company does not increase or decrease Capital Accounts upon the occurrence of the events specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), then upon the occurrence of any such event, the Company shall provide for special allocations of gain and loss to achieve a result substantially equivalent to that which would have been obtained by an increase or decrease of Capital Accounts. Such special allocations shall generally be made only upon the consent of (i) the Members that hold a majority of the Class A Units held by Members, and (ii) the Members that hold a majority of the Class B Units held by Members. Notwithstanding the foregoing, special allocations relating to the contribution of money or other property to the Company by a Member holding Class B Units, an Affiliate of any such Member, or a Related Party, as consideration for an interest in the Company, shall be provided if and only if such special allocations are requested by the Members that hold a majority of the Class A Units held by Members. Similarly, special allocations relating to distributions of money or other property by the Company to a Member holding Class B Units, an Affiliate of any such Member, or a Related Party, as consideration for an interest in the Company, shall be provided if and only if such special allocations are requested by the Members that hold a majority of the Class A Units held by Members.

6.2 METHOD OF DETERMINING PROFIT AND LOSS. For purposes of computing the amount of any item of Company income, gain, loss or deduction to be allocated pursuant to Article VIII and to be reflected in the Capital Accounts, the determination, recognition and classification of any such item will be the same as its determination, recognition and classification for federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); provided, that:

(a) the computation of all items of income, gain, loss and deduction will include tax-exempt income and those items described in Treasury Regulation Section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not includable in gross income or are not deductible for federal income tax purposes;

(b) if the Book Value of any Company property is adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(e) or (f), the amount of such adjustment will be taken into account as gain or loss from the disposition of such property;

(c) items of income, gain, loss or deduction attributable to the disposition of Company property having a Book Value that differs from its adjusted basis for tax purposes will be computed by reference to the Book Value of such property;

(d) items of depreciation, amortization and other cost recovery deductions with respect to Company property having a Book Value that differs from its adjusted basis for tax purposes will be computed by reference to the property's Book Value in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(g); and

(e) to the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 732(d), 734(b) or 743(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis).

6.3 NO INTEREST. No interest will be paid by the Company on Capital Contributions or on balances in Capital Accounts.

6.4 NO WITHDRAWAL. No Person will be entitled to withdraw any part of his or her Capital Contribution or Capital Account or to receive any Distribution from the Company, except as expressly provided in this Agreement.

ARTICLE VII
DISTRIBUTIONS

7.1 ORDER OF PRIORITY GENERALLY. As and when determined by the Managers (taking into account any reserves that the Managers deem appropriate except that the Managers shall not have discretion with respect to distributions made pursuant to Section 7.1(a) which shall be mandatory, except to the extent of restrictions imposed by law or third-party contract), subject to any restrictions imposed by law or third-party contract, the Company may make Distributions at any time or from time to time in the following order and priority:

(a) FIRST, to the Unitholders until such holders shall have received, their respective Tax Distribution Amounts (giving effect to all prior distributions to holders of such Units for all periods pursuant to this Section 7.1(a) with payment of such Tax Distribution Amounts under this section 7.1(a) occurring in chronological order, i.e., with Tax Distribution Amounts pertaining to or accruing in earlier periods paid first, in their entirety, before any payment is made under this section 7.1(a) of Tax Distribution Amounts pertaining to or accruing in subsequent periods). For purposes of determining the amounts of the Unpaid Yield and the Unreturned Capital Value for any Class A Unit, Distributions made in respect of such Class A Unit pursuant to this Section 7.1(a) will be deemed first to

be a payment of the Unpaid Yield, and second a payment of the Unreturned Capital Value, of such Class A Unit.

(b) SECOND, to the Unitholders which own Class A Units, in proportion to and to the extent of the Unpaid Yield on the Class A Units owned by each such Unitholder as of the time of such Distribution.

(c) THIRD, to the Unitholders which own Class A Units, in proportion to and to the extent of the Unreturned Capital Value in respect of the Class A Units owned by each such Unitholder as of the time of such Distribution. No distribution or any portion thereof may be made pursuant to Section 7.1(d) until the entire amount of the distributions pursuant to Sections 7.1(b) and (c) have been made.

(d) FOURTH, to the Unitholders, pro rata according to the number of Units owned by each Unitholder as a percentage of the total number of Units outstanding.

Notwithstanding any provisions of this Section 7.1 to the contrary, distributions shall be made pursuant to Sections 7.1(b), (c) and (d) only to the extent of each Unitholder's positive Capital Account balance, after taking into account any previous distributions under this Section 7.1. To the extent that all or any portion of the entire amount of the distributions pursuant to Sections 7.1(b) and (c) has not been made because of an inadequate Capital Account balance, then no distribution or any portion thereof shall be made pursuant to Section 7.1(d) until the entire amount of the distributions pursuant to Sections 7.1(b) and (c) have been made. For purposes of this Section 7.1, a positive Capital Account balance shall include the amount of a Unitholder's share of minimum gain (including any minimum gain arising from prior or current distributions of liability proceeds), which is or would be effectively treated as a deficit restoration obligation, as described in Treasury Regulation Section 1.704-2(g)(1) or (i)(5).

7.2 INDEMNIFICATION AND REIMBURSEMENT FOR PAYMENTS ON BEHALF OF A UNITHOLDER. Except as otherwise provided in this Agreement, if the Company is required by law (as determined by the Tax Matters Partner based on the advice of legal or tax counsel to the Company) to make any payment on behalf of a Unitholder in its capacity as such (including in respect of withholding taxes, personal property taxes, and unincorporated business taxes, etc.), then such Unitholder (the "Indemnifying Unitholder") will indemnify the Company in full for the entire amount paid, including interest, penalties and expenses associated with such payment. The amount to be indemnified shall be charged against the Capital Account of the Indemnifying Unitholder, and:

(a) first, promptly upon notification of an obligation to indemnify the Company, the Indemnifying Unitholder will make a cash payment to the Company in an amount equal to the full amount to be indemnified (and the amount paid will be added to the Indemnifying Unitholder's Capital Account but will not be deemed to be a Capital Contribution); and

(b) then, if any deficiency remains, the Company will reduce the next subsequent distributions which would otherwise be made to the Indemnifying Unitholder pursuant to Section 7.1 until the Company has recovered the amount (including interest accruing at a rate of 12% per annum) to be indemnified (and that the amount of such reduction will be deemed to have been distributed for all purposes, but such deemed distribution will not further reduce the Indemnifying Unitholder's Capital Account).

A Unitholder's obligation to make contributions to the Company under this Section 7.2 will survive the termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 7.2, the Company will be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Unitholder under this Section 7.2, including instituting a lawsuit to collect such contribution with interest calculated at a rate equal to the Company's and its Subsidiaries' effective cost of borrowed funds.

7.3 INDEMNIFICATION FOR LIABILITIES. In the event that the Company, any Subsidiary of the Company, or any Member that holds Class A Units (or any assets or property of any of the foregoing Persons) become subject to any liability (including but not limited to a liability described in Code Section 6901) relating to income taxes (either federal, state or local), including interest or penalties associated with such taxes, in connection with: (i) the transaction in which all of the stock of Cable Michigan, Inc. was distributed by Commonwealth Telephone Enterprises, Inc. pro rata to its common equity holders; (ii) the contribution to the Company of the assets of Avalon Cable of New England, Inc.; or (iii) the contribution to the Company of the assets of Avalon Cable of Michigan, Inc., then (a) in the case of clauses (i) and (iii), the Member (or its Affiliates or Subsidiaries) that contributed the assets of Avalon Cable of Michigan, Inc. to the Company, or (b) in the case of clause (ii), the Member (or its Affiliates or Subsidiaries) that contributed the assets of Avalon Cable of New England, Inc. to the Company, shall indemnify the Company and the other Members in full for the entire liability paid, including interest, penalties and expenses associated with such liability. The amount to be indemnified shall be charged against a Capital Account of the indemnifying Member, and such Member shall make payments to the Company pursuant to Section 7.2 hereof. A Unitholder's obligation to make contributions to the Company under this Section 7.3 will survive the termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 7.3, the Company will be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Unitholder under this Section 7.3, including instituting a lawsuit to collect such contribution with interest calculated at a rate equal to the Company's and its Subsidiaries' effective cost of borrowed funds. No inference is intended herein that the Company, any Subsidiary of the Company, or any Member that holds Class A Units (or any assets or property of any of the foregoing Persons) will become subject to any liability described in this Section 7.3, or that the Company is assuming or receiving assets subject to any such liability.

7.4 SPECIAL DISTRIBUTIONS.

(a) In the event of a Special Sale, and then only upon the election of the Board, immediately prior to the consummation of such Special Sale the Company shall distribute 100% of the Avalon New England Interest pursuant to the following provisions:

(i) Prior to the distribution, the Gross Asset Value of the Avalon New England Interest being distributed shall be adjusted, under the provisions of Treasury Regulation Sections 1.704-1(b)(2)(iv)(f) and (g), to equal its gross Fair Market Value and the amount of such adjustment shall be taken into account as gain or loss from the disposition of such Interest for purposes of Article VIII (Allocations);

(ii) Solely for purposes of this Section 7.4, and solely for purposes of determining the number of Class B Units redeemed pursuant to Section 7.4(a)(iv), the Gross Asset Value of all other assets of the Company, including the Avalon Michigan Interest, shall be deemed to have been adjusted, on a pro forma basis, pursuant to the principles of Treasury Regulation Sections 1.704-1(b)(2)(iv)(f) and (g), to equal their respective gross Fair Market Values and the amount of such adjustment shall be deemed taken into account, as a pro forma matter, as gain or loss from the disposition of such assets pursuant to the principles of Article VIII (Allocations);

(iii) The Unitholders which own Class A Units shall receive a percentage of the Avalon New England Interest equal in value to the amount of the Distribution that such Unitholders would have received had an amount equal to the Gross Asset Value of the Avalon New England Interest was distributed by the Company in accordance with Section 7.1. No Special Distribution or any portion thereof may be made pursuant to Sections 7.4(a)(iv) or (v) until the entire amount of the Distribution described in this Section 7.4(a)(iii) has been paid to the Unitholders which own Class A Units;

(iv) Avalon New England, Inc. shall receive the following Special Distribution of the Avalon New England Interest in redemption of some or all of its Class B Units: the Company shall redeem the number of Class B Units owned by Avalon New England, Inc. that have an aggregate positive Capital Account balance equal to the Fair Market Value of the Avalon New England Interest being received by Avalon New England, Inc. in the redemption. For purposes of this Section 7.4(a)(iv) only, the aggregate positive Capital Account balance of Class B Units owned by Avalon New England, Inc. shall be determined, on a pro forma basis, by including both the adjustment described in Section 7.4(a)(ii), as well as the pro forma adjustment described in Section 7.4(a)(iii). In the event that the Fair Market Value of the Avalon New England Interest remaining after the distribution described in Section 7.4(a)(iii) exceeds the positive Capital Account balances of all Class B Units owned by Avalon New England, Inc. as determined under this Section 7.4(a)(iv), then the Special Distribution described in this Section 7.4(a)(iv) shall consist of such percentage of the Avalon New England Interest having a Fair Market Value equal to the positive Capital Account balances of all Class B Units

DATE	PRINCIPAL LOANED OR REPAID	UNPAID PRINCIPAL BALANCE
_____	$_____	$_____

owned by Avalon New England, Inc. as determined under this Section 7.4 (a)(iv), then the Special Distribution described in this Section 7.4(a)(iv) shall consist of such percentage of the Avalon New England Interest having a Fair Market Value equal to the positive Capital Account balances of all Class B Units owned by Avalon New England, Inc. In that event, any remaining amount of the Distribution shall be distributed in accordance with Section 7.4(a)(v); and

(v) the Unitholders which own the remaining Class B Units shall receive any remaining amount of such Special Distribution equal in value to the value of the Distribution that such Unitholders would have received had such amounts been distributed by the Company in accordance with Section 7.1.

(b) If and to the extent required by the Financing Agreements, the Unitholders hereby agree to return any Special Sale Proceeds to the Company, net of any tax liability; provided, that such Special Sale Proceeds shall be used only to reduce Indebtedness under the Financing Agreements or as otherwise required or permitted thereunder. Tax liability, for this section only, shall mean the actual taxable income recognized from the Special Sale by the Unitholder multiplied by the combined Federal and New York State maximum, effective marginal individual tax rates.

ARTICLE VII
ALLOCATIONS

8.1 REGULAR ALLOCATIONS.

(a) ALLOCATION FOR NET PROFIT YEAR. For purposes of this Section 8.1, subject to Section 8.2, if Profits exceed Losses for a Fiscal Year or other period, the net amount for such period ("Net Profits") shall be allocated according to the following provisions:

(i) FIRST, to Unitholders which own Class A Units in proportion to, and to the extent of, any Losses allocated to them pursuant to Section 8.1(b)(iv) for all prior Fiscal Years or other periods. To the extent any allocation of Losses are offset pursuant to this Section 8.1(a)(i), such Losses shall be disregarded for purposes of computing subsequent allocations pursuant to this Section 8.1(a)(i);

(ii) SECOND, to Unitholders which own Class A Units in proportion to, and to the extent of, any Losses allocated to them pursuant to Section 8.1(b)(iii) for all prior Fiscal Years or other periods. To the extent any allocation of Losses are offset pursuant to this Section 8.1(a)(ii), such Losses shall be disregarded for purposes of computing subsequent allocations pursuant to this Section 8.1(a)(ii);

(iii) THIRD, to Unitholders which own Class A Units in proportion
----- to, and to the extent of, the Unallocated Yield for any Class A Units owned by each Unitholder;

(iv) FOURTH, to Unitholders which own Class B Units in
------ proportion to, and to the extent of, any Losses allocated to them pursuant to Section 8.1(b) for all prior Fiscal Years or other periods. However, Net Profits shall be allocated to each Unitholder which owns Class B Units pursuant to this Section 8.1(a)(iv) only to the extent necessary to eliminate any Adjusted Capital Account Deficit for that Unitholder. To the extent any allocation of Losses are offset pursuant to this Section 8.1(a)(iv), such Losses shall be disregarded for purposes of computing subsequent allocations pursuant to this Section 8.1(a)(iv); and

(v) FIFTH, (a) to the Unitholders which own Class A Units, in
----- an amount as provided in the definition of Special Capital Account Adjustment, and, then, to the extent that Net Profits remain after such allocation, to (b) all Unitholders, pro rata according to the number of Units owned by each Unitholder as a percentage of the total number of Units outstanding.

(b) ALLOCATION FOR NET LOSS YEAR. For purposes of this Section 8.1,
---------- subject to Section 8.2, if Losses exceed Profits for a Fiscal Year or other period, the net amount for such period ("Net Losses") shall be allocated
---------- according to the following priorities:

(i) FIRST, to Unitholders which own Class A Units or Class B
----- Units in proportion to, and to the extent of any Profits allocated to them pursuant to Section 8.1(a)(v) for all prior Fiscal Years or other periods, in reverse chronological order. To the extent any allocations of Profits are offset pursuant to this Section 8.1(b)(i), such Profits shall be disregarded for purposes of computing subsequent allocations pursuant to this Section 8.1(b)(i);

(ii) SECOND, to Unitholders which own Class B Units, pro rata
------ according to the number of Class B Units owned by each such Unitholder, and then only to the extent of each such Unitholder's positive Capital Account balance;

(iii) THIRD, to Class A Unitholders in proportion to, and to the
----- extent of, any Profits allocated to them pursuant to Sections 8.1(a)(ii) or (iii) for all prior Fiscal Years or other periods. To the extent any allocations of Profits are offset pursuant to this Section 8.1(b)(iii), such Profits shall be disregarded for purposes of computing subsequent allocations pursuant to this Section 8.1(b)(iii);

(iv) FOURTH, to Unitholders which own Class A Units, pro rata
------ according to the number of Class A Units owned by each such Unitholder, and then only to the extent of each such Unitholder's positive Capital Account balance; and

(v) FIFTH, to Unitholders which own Class B-2 Units, pro rata according to the number of Class B-2 Units owned by each such Unitholder.

8.2 SPECIAL ALLOCATIONS.

(a) NONRECOURSE DEBT. Losses attributable to a partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-2(b)(4)) will be allocated in the manner required by Treasury Regulation Section 1.704-2(i)). If there is a net decrease during a Fiscal Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704-2(i)(3)), then Profits for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) will be allocated to the Unitholders in the amounts and of such character as determined according to, and subject to the exceptions contained in, Treasury Regulation Section 1.704-2(i)(4). Losses attributable to nonrecourse deductions (as defined in Treasury Regulation Section 1.704-2(b)(1)) will be allocated in the manner as Net Profits are allocated pursuant to Section 8.1(a)(vi). If there is a net decrease during a Fiscal Year in partnership minimum gain (as defined in Treasury Regulation Section 1.704-2(f)(1)), then Profits for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) will be allocated to the Unitholders in the amounts and of such character as determined according to, and subject to the exceptions contained in, Treasury Regulation Section 1.704-2(f). However, no allocation of profits pursuant to this Section 8.2(a) shall be made to the extent that allocation of Nonrecourse Deductions or Member Nonrecourse Deductions have previously been offset with allocations of Net Profits pursuant to Section 8.1.

(b) MINIMUM GAIN CHARGEBACK. Except as otherwise provided in Section 8.2(a), if there is a net decrease in the Minimum Gain during any Fiscal Year, then each Unitholder will be allocated Profits for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) in the amounts and of such character as determined according to, and subject to the exceptions contained in, Treasury Regulation Section 1.704-2(f), except that no allocation of Profits pursuant to this Section 8.2(b) shall be made to the extent that allocation of Nonrecourse Deductions or Member Nonrecourse Deductions have previously been offset with allocations of Net Profits pursuant to Section 8.1. This Section 8.2(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(f), and will be interpreted in a manner consistent with such intention.

(c) QUALIFIED INCOME OFFSET. If any Unitholder who unexpectedly receives an adjustment, allocation, or distribution described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6) has an Adjusted Capital Account Deficit as of the end of any Fiscal Year, computed after the application of Sections 8.2(a) and 8.2(b) but before the application of any other provision of Section 8.1 or Section 8.2, then Profits for such Fiscal Year will be allocated to such Unitholder in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 8.2(c) is intended to be a qualified income offset

provision as described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) - and will be interpreted in a manner consistent with such intention.

(d) ADJUSTMENT OF TAX BASIS. Profits and Losses described in Section 6.2(e) will be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulation Sections 1.704-1(b)(2)(iv)(j), (k) and (m).

(e) TRANSACTION WITH UNITHOLDER. If, and to the extent that, any Unitholder is deemed to recognize any item of income, gain, loss, deduction or credit as a result of any transaction between such Unitholder and the Company pursuant to any of Code Sections 1272-1274, 7872, 483 and 482 or any similar provision now or hereafter in effect, and the Tax Matters Partner determines that any corresponding Profit or Loss of the Company should be allocated to the Unitholder who recognized such item in order to reflect the Unitholders' economic interests in the Company, then the Company may so allocate such Profit or Loss.

(f) INCOME RELATING TO PREVIOUS TRANSACTIONS. To the extent that the Company recognizes, in any Fiscal Year, gross income attributable to: (i) transactions occurring before the formation of the Company, involving a Person or its Affiliates who subsequently became a Member of the Company; or (ii) the contribution of assets or liabilities to the Company pursuant to the admission of the contributor as a Member, then such gross income shall be allocated to the Member participating in such transactions or contributions, as the case may be. This Section 8.2(a)(f) shall not apply to items of income or gain from ordinary business operations of the Company.

8.3 TAX ALLOCATIONS.

(a) GENERALLY. The income, gains, losses, deductions and credits of the Company will be allocated on a daily basis as if the Company closed its books on a daily basis, for federal, state and local income tax purposes, among the Unitholders in accordance with the allocation of such income, gains, losses, deductions and credits among the Unitholders for computing their Capital Accounts, except that if any such allocation is not permitted by the Code or other applicable law, the Company's subsequent income, gains, losses, deductions and credit will be allocated among the Unitholders so as to reflect as nearly as possible the allocation set forth in this Agreement in computing their Capital Accounts.

(b) DIFFERENCES BETWEEN BOOK VALUE AND TAX BASIS. Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company will be allocated among the Unitholders in accordance with Code Section 704(c) using the traditional method of Treasury Regulation Section 1.704-3(b) and the ceiling rule of Treasury Regulation Section 1.704-3(b)(1) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax

purposes and its Book Value. To the extent that in any year in which book depreciation is allowed to both the Class A Units and the Class B Units, and an amount of depreciation tax deductions is specially allocated for tax purposes to the Class A Units pursuant to Treasury Regulation Section 1.704-3(b)(1) in excess of the amount of the applicable tax depreciation deduction that the Class A Units would have been allocated if Treasury Regulation Section 1.704-3(b)(1) had not been applied and depreciation tax deductions had instead been allocated to the various Units in proportion to the book depreciation allocation to such Units for that year, an amount of the excess tax depreciation shall reduce the unpaid yield and be treated as a guaranteed payment to such Unitholders for purposes of Article VIII of this Agreement. The tax deductions for the guaranteed payment shall be specially allocated to the Unitholders which own Class B Units who lost the tax depreciation deductions pursuant to Treasury Regulation Section 1.704-3(b)(1). The allocations made pursuant to this Section 8.3(b) shall be made on a daily basis as if the Company closed its books on a daily basis. The Tax Matters Partner will determine the allocation of the aggregate Fair Market Value of the assets contributed to the Company among such assets.

(c) ADJUSTMENTS IN BOOK VALUE. If the Book Value of any Company asset is adjusted pursuant to Section 6.2, then subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset will take into account any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c).

(d) ALLOCATIONS OF CREDITS AND THE LIKE. Allocations of tax credits, tax credit recapture, and any items related thereto will be allocated to the Unitholders according to their interests in such items as determined by the Tax Matters Partner taking into account the principles of Treasury Regulation Section 1.704-1(b)(4)(ii).

(e) NO EFFECT ON CAPITAL ACCOUNTS. Allocations pursuant to this Section 8.3 are solely for purposes of federal, state and local taxes and will not affect, or in any way be taken into account in computing, any Unitholder's Capital Account or share of Profits, Losses, Distributions or other items pursuant to any provision of this Agreement.

8.4 CURATIVE ALLOCATIONS. If the Tax Matters Partner determines, after consultation with counsel experienced in income tax matters, that the allocation of any item of Company income, gain, loss, deduction or credit (an "unallocated item") is not specified in this Agreement or that the allocation of any item of Company income, gain, loss, deduction or credit (a "misallocated item") under this Agreement is in the Managers' reasonable judgment inconsistent with the Unitholders' economic interests in the Company (determined by reference to the general principles of Treasury Regulation Section 1.704-1(b) and the factors set forth in Treasury Regulation Section 1.704-1(b)(3)(ii) including any allocation of any item of Company income, gain, loss deduction or credit that does not result in Capital Accounts of each Unitholder that support, as nearly as possible, the Distributions pursuant to Section 7.1 with respect to such Unitholder), then the Company may allocate such unallocated items, or reallocate such misallocated items, to reflect such

economic interests; provided, that no such allocation will have any material effect on the amounts distributable to any Unitholder, including the amounts to be distributed upon the complete liquidation of the Company and that no allocations of Book item shall be made pursuant to this Section 8.4 unless such allocations are of Net Profits or Net Losses; provided further, that no such allocation or reallocation shall be made unless Members that hold a majority of Class A Units held by Members consent in writing to such allocation or reallocations, which consent shall not be unreasonably withheld.

ARTICLE IX
ELECTIONS AND REPORTS

9.1 GENERALLY. The Company will keep appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 9.2 or pursuant to applicable laws. The Members (subject to reasonable confidentiality requirements that the Board may impose) shall have such right to request and receive information concerning the Company and its affairs as is required by the Act.

9.2 REPORTS. The Company will use reasonable efforts to deliver or cause to be delivered, by March 1 (and, in any event, will deliver not later than March 31 of each year except that such date shall be May 31 with respect to the Company's first Fiscal Year) to each Person who was a Unitholder at any time during the previous Fiscal Year, all information necessary for the preparation of such Person's United States federal income tax returns and any state, local and foreign income tax returns which such Person is required to file as a result of the Company being engaged in a trade or business within such state, local or foreign jurisdiction, including a statement showing such Person's share of income, gains, losses, deductions and credits for such year for United States federal income tax purposes (and, if applicable, state, local or foreign income tax purposes) and the amount of any Distributions made to or for the account of such Person. Upon the written request of any such Person made not later than 30 days after the end of each Fiscal Year and at the sole expense of such Person, the Company will use reasonable efforts to deliver or cause to be delivered any additional information necessary for the preparation of any state, local and foreign income tax returns which must be filed by such Person.

9.3 FINANCIAL STATEMENTS AND OTHER INFORMATION. The Company shall deliver: (i) to Avalon Investors so long as Avalon Investors or any of its Affiliates holds any Class A Units; or (ii) to a non-Affiliate transferee of Avalon Investors so long as such transferee holds 25% or more of the Class A Units outstanding immediately after the First Closing Date:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Company, a copy of the audited combined consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such year and the related audited combined consolidated statements of income and of cash flows for such year, setting

forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing, provided that the delivery of the Company's annual report on Form 10-K shall be deemed to satisfy the requirements of this paragraph;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Company, the unaudited combined consolidated balance sheet of the Company and its consolidated Subsidiaries, as at the end of such quarter and the related unaudited combined consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by the Company's principal accounting officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of certain footnotes), provided that the Company shall furnish such financial information for the quarter ended September 30, 1998 not later than December 15, 1998, provided, further that the delivery of the Company's quarterly report on Form 10-Q shall be deemed to satisfy the requirements of this paragraph;

(c) as soon as available, but in any event not later than 45 days after the end of each month occurring during each fiscal year of the Company (other than the third, sixth, ninth and twelfth such month), commencing with the month of November, 1998, the unaudited combined consolidated balance sheets of the Company and its Subsidiaries as at the end of such month and the related unaudited combined consolidated statements of income and of cash flows for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures for the previous year, certified by the Company's principal accounting officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of certain footnotes); provided that the Company shall furnish such financial information for each month ending on or prior to March 31, 1999 not later than 60 days after the end of such month; provided, that all financial statements required under Sections 9.3(a), (b) and (c) shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein);

(d) promptly upon receipt thereof, a copy of such accounting firm's annual management letter to the Managers;

(e) as soon as practicable (but in any event within thirty (30) days) prior to the end of each fiscal year, an annual budget prepared on a monthly basis for the Company and the Subsidiaries (if any) for the succeeding fiscal year (reflecting anticipated statements of

income, members' equity and cash flows and balance sheets) together with a summary of the assumptions underlying such budget;

(f) as soon as practicable (but in any event within ten (10) days) after transmission thereof, copies of registration statements and all regular, special or periodic reports which it files with the Securities and Exchange Commission or with any securities exchange on which any of its securities are then listed, copies of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning material developments in the Business and any information which the Company is required to supply to its lenders;

(g) annually (and in any event no later than ten (10) days after adoption by the Managers or the officers of the Company) the financial plan of the Company, in such manner and form as approved by the Managers, which financial plan shall include at least a projection of income and a projected cash flow statement for each fiscal quarter in such Fiscal Year and a projected balance sheet as of the end of each fiscal quarter in such Fiscal Year. Any material changes in such financial plan shall be delivered to such holders of Class A Units as promptly as practicable after such changes have been approved by the Managers;

(h) with reasonable promptness, such other information and data with respect to the Company and its Subsidiaries as any such holder of Class A Units may from time to time reasonably request; and

(i) the Company will use reasonable efforts to cause copies of draft tax returns of the Company to be furnished to such holders of Class A Units for review in advance of their filing; provided, however, that no such
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holder of Class A Units shall have the right to approve or reject the content of any such tax return. The Company, any Member or any Related Party will not take a position in any such tax return that is inconsistent with any treatment described in this Agreement or in any other document relating to this Agreement and the Ancillary Agreements to which Avalon Investors is a party. The Company will generally cooperate with Avalon Investors and its representatives in providing information and data with respect to the Company and its Subsidiaries and answer questions with regard to Avalon Investors' completion of its annual appraisal of the Company; provided, that such cooperation does not unreasonably interfere
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with the day-to-day operation of the Business.

9.4 TAX ELECTIONS. The taxable year will be the Fiscal Year, unless the
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Tax Matters Partner determines otherwise in compliance with applicable laws. The Tax Matters Partner will determine whether to make or revoke any available election pursuant to the Code, except that the Tax Matters Partner shall make all elections and shall take all necessary steps (assuming such elections and steps are available under the federal income tax law then in effect) such that: (i) the Company is taxed as a partnership for federal income tax purposes; and (ii) Avalon Michigan LLC and Avalon New England LLC are either ignored as separate entities for federal income tax

purposes, or, if applicable, taxed as partnerships for federal income tax purposes. Each Unitholder will upon request supply the information necessary to give proper effect to any such election.

9.5 TAX CONTROVERSIES. Avalon Cable Michigan is designated the "Tax Matters Partner" (as defined in Code Section 6231) for the Company, and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith; provided, that the Tax Matters Partner may be removed and/or replaced by action of Members which own Units which represent a Majority in Voting Interest. The Tax Matters Partner will at all times assure that any Member that holds a majority of the Class A Units held by Members, is a Notice Partner (as defined in section 6231(a)(8) of the Code) with respect to the Company. The Tax Matters Partner will promptly (immediately by telephone and then by personal delivery within 2 Business Days of notification or receipt of notice) (a) notify the Class A Unitholder of any audit or other material tax matter which is brought to the attention of the Tax Matters Partner, by notice from the Internal Revenue Service, and (b) forward to all Class A Unitholders copies of any notices, correspondence, reports or other instruments, communications or documents received by the Tax Matters Partner in connection therewith. The Tax Matters Partner, unless so approved by Members that hold a majority of the Class A Units held by Members, will not have the right: (i) to extend any statute of limitations or any period of limitations with respect to the Company or any Unitholder in any matter; (ii) to agree on behalf of itself or others to any settlement of any alleged tax deficiency or other tax matter, or to any adjustment of taxable income or loss or any item included therein, affecting the Company or any Unitholder; (iii) to file any petition for judicial review, or any other judicial proceeding, with respect to the Company or any Unitholder in any tax mater; or (iv) to file any requests for administrative review of adjustment, or other administrative relief, on behalf of the Company or any Unitholder in any tax matter. The Tax Matters Partner will provide each Class A Unitholder at least 5 Business Days advance notice of any meeting, whether in person, by telephone, or otherwise, with any representative of the Internal Revenue Service or other revenue agency, and each Unitholder shall have the right to have a representative of such Unitholder to be present at, or otherwise involved in, such a meeting, except that the requirements of this sentence shall not apply to meeting which are of a ministerial nature, or to meetings which concerns matters that are not material to any Class A Unitholder. Any deficiency for taxes imposed on any Unitholder (including penalties, additions to tax or interest imposed with respect to such taxes) will be paid by such Unitholder, and if required to be paid (and actually paid) by the Company, will be recoverable from such Unitholder as provided in Section 7.2.

ARTICLE X
DISSOLUTION AND TERMINATION

10.1 DISSOLUTION. The Company shall be dissolved only upon a Sale of the Company and upon the first of the following to occur:

(a) Upon the election to dissolve the Company by action of Members which own Units which represent a Majority in Voting Interest;

(b) Upon the retirement, resignation, expulsion, bankruptcy, legal incapacity or dissolution of any Member who is at such time a Manager, or the occurrence of any other event which terminates the continued membership of any Member who is at such time a Manager, unless there is at least one remaining Member and the business of the Company is continued by the action of Members which own Units which represent a Majority in Voting Interest; or

(c) Any other event that would cause the dissolution of a limited liability company under the Act.

10.2 LIQUIDATION.

(a) LIQUIDATOR. Upon dissolution of the Company, the Managers will appoint a Person to act as the "Liquidator," and such Person shall act as the Liquidator unless and until a successor Liquidator is appointed as provided in this Section 10.2. The Liquidator will agree not to resign at any time without 30 days' prior written notice to the Members. The Liquidator may be removed at any time, with or without cause, by notice of removal and appointment of a successor Liquidator approved by Members which own Units which represent a Majority in Voting Interest. Any successor Liquidator will succeed to all rights, powers and duties of the former Liquidator. The right to appoint a successor or substitute Liquidator in the manner provided in this Section 10.2 will be recurring and continuing for so long as the functions and services of the Liquidator are authorized to continue under the provisions of this Agreement, and every reference in this Agreement to the Liquidator will be deemed to refer also to any such successor or substitute Liquidator appointed in the manner provided in this Section 10.2. The Liquidator will receive as compensation for its services (1) no additional compensation, if the Liquidator is an employee of the Company or any of its Subsidiaries, or (2) if the Liquidator is not such an employee, such compensation as the Managers may approve, plus, in either case, reimbursement of the Liquidator's out-of-pocket expenses in performing its duties.

(b) LIQUIDATING ACTIONS. The Liquidator will liquidate the assets of the Company and apply and distribute the proceeds of such liquidation, in the following order of priority, unless otherwise required by mandatory provisions of applicable law:

(i) FIRST, to the payment of the Company's debts and obligations to its creditors, including sales commissions and other expenses incident to any sale of the assets of the Company.

(ii) SECOND, to the establishment of and additions to such reserves as the Managers deem necessary or appropriate.

(iii) THIRD, to the Unitholders, pro rata in accordance with their positive Capital Account balances. In the case of a liquidation of the Company pursuant to this Section 10.2, prior to the distribution of the proceeds of liquidation, the Capital Accounts of the Unitholders shall first be revalued and adjusted pursuant to the provisions of Treasury Regulation Sections 1.704-1(b)(2)(iv)(e)-(g).

The reserves established pursuant to clause (ii) above will be paid over by the Liquidator to a bank or other financial institution, to be held in escrow for the purpose of paying any contingent or unforeseen liabilities or obligations and, at the expiration of such period as the Managers deem advisable, such reserves will be distributed to the Unitholders in accordance with Section 7.1.

(c) The Members which own Class B-2 Units shall in connection with the liquidation of the Company be liable for the repayment to the Company, in cash, of the amount (if any) by which the balance in such Member's Capital Account is less than zero. Any such repayment shall be made before the later of: (i) the end of the taxable year in which the date of the liquidation of the Company occurs; or (ii) the 90th day after the date of the liquidation of the Company. For purposes of this Section 10.2(c), the date of the liquidation of the Company shall be the earlier of: (x) the date the Company is terminated under Section 708(b)(1)(B) of the Code as a result of transfers of 50% or more of the capital or profits interests in the Company within a 12-month period; or (y) the date on which the Company has ceased to be a going concern. In addition, for the purposes of this Section 10.2(c), the Company shall not be deemed to have ceased to be going concern until it has sold, distributed or otherwise disposed of substantially all of its assets. Amounts returned to the Company pursuant to this Section 10.2(c) by the Members which own Class B-2 Units shall be paid to creditors of the Company or distributed to the other Members in accordance with the positive balances in such other Members' Capital Accounts.

(d) DISTRIBUTION IN KIND. The provisions of Section 10.2(b) which require the liquidation of the assets of the Company notwithstanding, but subject to the order of priorities set forth in Section 10.2(b), if upon dissolution of the Company the Managers and Members which own a majority of the Class A Units held by Members determine that an immediate sale of part or all of the Company's assets would be impractical or could cause undue loss to the Unitholders, then the Managers may, only with the consent of the Members which own a majority of the Class A Units held by Members, defer the liquidation of any

assets except those necessary to satisfy Company liabilities and reserves, and may, only with the written consent of the Members which own a majority of the Class A Units held by Members, distribute to the Unitholders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 10.2(b), undivided interests in such Company assets as the Liquidator deems not suitable for liquidation. Any such distribution in kind will be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operating of such properties at such time. For purposes of any such distribution, the Managers and Members which own a majority of the Class A Units held by Members will determine the Fair Market Value of any property to be distributed in accordance with any valuation procedure which the Managers reasonably deem appropriate. In the case of a distribution in kind pursuant to the provisions of this Section 10.2(d), the Capital Accounts of the Unitholders shall first be revalued and adjusted pursuant to the provisions of Treasury Regulation Sections 1.704-1(b)(2)(iv)(e)-(g).

(e) REASONABLE TIME FOR WINDING UP. A reasonable time will be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Section 10.2(b) in order to minimize any losses otherwise attendant upon such winding up. Distributions upon liquidation of the Company (or any Unitholder's interest in the Company) and related adjustments will be made by the end of the Fiscal Year of the liquidation (or, if later, within 90 days after the date of such liquidation) or as otherwise permitted by Treasury Regulation Section 1.704-1(b)(2)(ii)(b).

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ARTICLE XI
ISSUANCE OR TRANSFER OF MEMBERSHIP INTERESTS

11.1 GENERALLY. Issuances and Transfers of Units shall be subject to the applicable terms of the Related Agreements, and in addition shall not be effective unless all of the following conditions are satisfied:

(a) The issuance or Transfer, as applicable, shall comply with all applicable laws, including any applicable securities laws.

(b) The issuance or Transfer, as applicable, shall not affect the Company's existence or qualification as a limited liability company under the Act.

(c) The issuance or Transfer, as applicable, shall not cause the Company to be classified as other than a partnership for United States federal income tax purposes.

(d) The issuance or Transfer, as applicable, shall not result in a termination of the Company under Code Section 708, unless the Managers determine that any such termination will not have a material adverse impact on the Members.

(e) The issuance or Transfer, as applicable, shall not cause the application of the tax-exempt use property rules of Code Sections 168(g)(l)(B) and 168(h) to the Company or its Members.

(f) In the case of a Transfer, the Transferor Member shall pay the Company a transfer fee in an amount established by the Managers to pay the Company's reasonable expenses in connection with the Transfer.

(g) The acquiring Person shall have agreed to be bound by this Agreement and shall have executed a counterpart signature page to this Agreement, and shall have executed such documents or instruments as the Managers determine to be necessary or appropriate to effect such Person's admission as a Member, including, without limitation, the Members Agreement.

11.2 ADDITIONAL MEMBERS. An Assignee shall be admitted to the Company as a Member. Such admission shall become effective when the new Member has executed and delivered to the Company a counterpart of this Agreement.

11.3 ASSIGNEE'S RIGHTS. A Transfer of a Unit permitted under this Agreement and the Members Agreement will be effective as of the date upon which all conditions thereto referred to in this Agreement (including the Related Agreements) have been satisfied, unless a later date is specified in the relevant transfer documentation and prior notice of such later date is given to the Company. Profits, Losses and other items will be allocated between the transferor and the transferee according to Code Section 706. Unless and until an Assignee becomes a Member in accordance with this Agreement, such Assignee will not be entitled to any of the rights granted to a Member under this Agreement or under applicable law, but will be entitled to the rights granted to a Unitholder hereunder or thereunder. Further, any such Assignee will be bound by any limitations and obligations contained therein with respect to Members.

11.4 WITHDRAWAL OF MEMBER. Upon the Transfer of all of the Units held by a Member (the "Transferor Member") to a Person in accordance with this Agreement (including the Related Agreements), the Transferor Member shall withdraw from the Company and thereupon cease to be a Member.

11.5 TAX MATTERS. On the transfer of all or part of an interest in the Company, at the request of the transferee of the interest, the Managers will, on request of any Member (and without such request, upon the death of a Member) cause the Company to elect, pursuant to Section 754 of the Code, to adjust the tax basis of the Company's properties as provided by Sections 734 and 743 of the Code.

ARTICLE XII
MATTERS CONCERNING BRIDGE FACILITIES

12.1 INTENTIONALLY OMITTED.

12.2 INTENTIONALLY OMITTED.

ARTICLE XII
MISCELLANEOUS PROVISIONS

13.1 NOTICES.

(a) All notices, requests, demands and other communications under or in connection with this Agreement shall be given to or made upon (i) any Member, at such Member's address set forth on the attached Schedule 1; and (ii) the Company, 201 East 69th Street, Penthouse G, New York, NY 10021, Attention: Joel Cohen, President, with copies to ABRY Partners, Inc., 18 Newbury Street, Boston, MA 02116, Attention: Jay Grossman, and to Kirkland & Ellis, 153 East 53rd Street, New York, NY 10022, Attention: John L. Kuehn (or in any case to such other address as the addressee may from time to time designate in writing to the sender).

(b) All notices, requests, demands and other communications given or made in accordance with the provisions of this Agreement shall be in writing, and shall be deemed effectively given upon personal delivery or delivery by courier to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, return receipt requested, postage prepaid and addressed as provided in Section 13.1(a).

13.2 GOVERNING LAW. ALL ISSUES AND QUESTIONS CONCERNING THE APPLICATION, CONSTRUCTION, VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND THE EXHIBITS AND SCHEDULES TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, AND SPECIFICALLY THE ACT, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW RULES OR PROVISIONS (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION)

THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE.

13.3 NO ACTION FOR PARTITION. No Member shall have any right to maintain any action for partition with respect to the property of the Company.

13.4 HEADINGS AND SECTIONS. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision of this Agreement. Unless the context requires otherwise, all references in this Agreement to Sections, Articles, Exhibits or Schedules shall be deemed to mean and refer to Sections, Articles, Exhibits or Schedules of or to this Agreement.

13.5 AMENDMENTS. This Agreement and the certificate of formation of the Company shall not be amended, supplemented or restated without first obtaining the written consent of: (i) Members which represent a Majority in Voting Interest; and (ii) Members which own a majority of the Class A Units held by Members; provided, that consent of the Members shall not be required under the preceding clause (ii) in the event that the proposed amendment, supplement or restatement is made in connection with any issuance or proposed issuance of Units not in violation of any provisions of this Agreement.

13.6 NUMBER AND GENDER. Where the context so indicates, the masculine shall include the feminine, the neuter shall include the masculine and feminine, and the singular shall include the plural.

13.7 BINDING EFFECT. Except as otherwise provided to the contrary in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Members, their distributees, heirs, legal representatives, executors, administrators, successors and permitted assigns.

13.8 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and shall be binding upon the Member who executed the same, but all of such counterparts shall constitute the same agreement.

13.9 SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement

13.10 REMEDIES. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The Unitholders agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its

sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

13.11 BUSINESS DAYS. If any time period for giving notice or taking action under this Agreement expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

13.12 WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF.

13.13 NO STRICT CONSTRUCTION. The parties to this Agreement have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties to this Agreement, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

13.14 ENTIRE AGREEMENT. Except as otherwise expressly set forth in this Agreement, this Agreement and the other agreements referred to in this Agreement (including, without limitation, the Members Agreement and the Securities Purchase Agreement) embody the complete agreement and understanding among the parties to this Agreement with respect to the subject matter of this Agreement and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter of this Agreement in any way.

* * * *

IN WITNESS WHEREOF, the undersigned, have executed this Amended and Restated Limited Liability Company Agreement as of the date first written above.

AVALON CABLE LLC

By: _____
Name: _____
Its: _____

AVALON CABLE OF NEW ENGLAND HOLDINGS, INC.

By: _____
Name: _____
Its: _____

AVALON CABLE OF MICHIGAN, INC.

By: _____
Name: _____
Its: _____

AVALON INVESTORS, L.L.C.

By: _____
Name: _____
Its: _____

AVALON CABLE LLC

A DELAWARE LIMITED LIABILITY COMPANY

SCHEDULE I

NAMES AND UNIT OWNERSHIP

NAME AND ADDRESS FOR NOTICES	UNIT OWNERSHIP
Avalon Cable of Michigan, Inc. 201 East 69th Street, Penthouse G New York, NY 10021 Attention: Joel Cohen - President	510,994 Class B-2 Units

with a copy (which shall not constitute notice) to:

ABRY Broadcast Partners, III, L.P.
c/o ABRY Partners, Inc.
18 Newbury Street
Boston, MA 02116
Attention: Jay Grossman

and

Kirkland & Ellis
153 East 53rd Street
New York, NY 10022
Attn: John L. Kuehn

Avalon Cable of New England Holdings, Inc. 64,696 Class B-1 Units
201 East 69th Street, Penthouse G
New York, NY 10021
Attention: Joel Cohen - President

with a copy (which shall not constitute
notice) to:

ABRY Broadcast Partners, III, L.P.
c/o ABRY Partners, Inc.
18 Newbury Street
Boston, MA 02116
Attention: Jay Grossman

and

Kirkland & Ellis
153 East 53rd Street
New York, NY 10022
Attention: John L. Kuehn

Avalon Investors, L.L.C. 45,000 Class A Units
at such address of which it may give notice in
accordance with Section 13.1 hereof.

with a copy (which shall not constitute
notice) to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attention: Michael L. Ryan

SCHEDULE II

OFFICERS OF THE COMPANY

David Unger	Chairman and Assistant Secretary
Joel Cohen	President, Chief Executive Officer and Secretary
Peter Polimino	Vice President of Finance
Peter Luscombe	Vice President of Engineering
Peggy Koenig	Vice President and Assistant Secretary
Jay Grossman	Vice President and Assistant Secretary

EXHIBIT A

FORM OF NEW BRIDGE LOAN

_____, ____

THIS PROMISSORY NOTE IS SUBORDINATE TO AMOUNTS OUTSTANDING UNDER THE LOANS OR EXCHANGE NOTES DEFINED IN THE BRIDGE LOAN AGREEMENT REFERRED TO BELOW AND TO THE CLASS A UNITS (AS DEFINED IN THE LLC AGREEMENT REFERRED TO BELOW). NOTWITHSTANDING ANY STATEMENT TO THE CONTRARY CONTAINED IN THIS PROMISSORY NOTE, CASH PAYMENTS OF PRINCIPAL OR INTEREST OUTSTANDING UNDER THIS PROMISSORY NOTE SHALL NOT BE MADE SO LONG AS: (A) THE LOANS OR EXCHANGE NOTES REMAIN OUTSTANDING; (B) ANY PAYMENT DEFAULT ON THE LOANS OR EXCHANGE NOTES EXISTS; (C) A PAYMENT BLOCKAGE IN RESPECT OF AMOUNTS OUTSTANDING UNDER THIS PROMISSORY NOTE HAS BEEN IMPLEMENTED BY THE ADMINISTRATIVE AGENT OR EXCHANGE NOTE TRUSTEE; OR (D) THE CLASS A UNITS HAVE ANY UNPAID YIELD OR UNRETURNED CAPITAL VALUE (AS SUCH TERMS ARE DEFINED IN THE LIMITED LIABILITY COMPANY AGREEMENT OF THE MAKER, AS IN EFFECT FROM TIME TO TIME, THE "LLC AGREEMENT"); PROVIDED, HOWEVER, THAT INTEREST DUE AND PAYABLE ON PRINCIPAL MAY BE ADDED TO THE PRINCIPAL AMOUNT OUTSTANDING UNDER THIS PROMISSORY NOTE RATHER THAN BEING PAID IN CASH.

AVALON CABLE LLC

PROMISSORY NOTE

The undersigned (the "Maker") hereby agrees to pay to Avalon Cable Holdings, LLC, a Delaware limited liability company, or the registered holder hereof (in either case, the "Holder"), on _____ (the "Maturity Date"), the unpaid principal sum of all loans made by the Holder to the Maker from time to time, together with unpaid accrued interest thereon. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Bridge Loan Agreement (the "Bridge Loan Agreement") dated November 6, 1998 by and among, Avalon Cable LLC, a Delaware limited liability company, Avalon Cable of Michigan Holdings, Inc., a Delaware corporation, Avalon Cable Holdings Finance, Inc., a Delaware corporation, Lehman Brothers Inc. and Lehman Commercial Paper, Inc., as in effect from time to time, an executed copy of which has been delivered to the Holder.

Interest will accrue on the unpaid principal amount of this Promissory Note from time to time at a rate per annum equal to the greater of (i) the applicable federal rate published from time to time by the U.S. Internal revenue Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended; or (ii) the Reference Rate (as defined in the LLC Agreement); provided, that at any time when there are amounts outstanding under the Bridge Loan Agreement, such rate shall exceed the rate in effect under such loan plus 100 basis points. Such interest will compound on each anniversary of the date hereof.

Any payment in respect of this Promissory Note will be applied first to the unpaid accrued interest hereon and second to the unpaid principal amount hereof.

Loans to the Maker by the Holder, and repayments of any or all of the principal amount thereof and/or accrued interest thereon will be recorded on the attached schedule.

This instrument shall automatically convert into a quantity of Class B Units of the Maker (as defined in the LLC Agreement) determined by dividing (x) the sum of the unpaid principal sum of all loans made by the Holder to the Maker hereunder from time to time and the amount of unpaid accrued interest thereon by (y) $75.149 on the earlier of: (i) the Maturity Date; (ii) the date which is eighteen (18) months after the date hereof; (iii) the date immediately prior to the date on which a Distribution shall be made by the Maker in connection with a Sale of the Company (as defined in the LLC Agreement) or liquidation; or (iv) the occurrence of a Bankruptcy (as defined in the LLC Agreement); or (v) the day after the date on which the Maker and the Holder otherwise agree.

This Promissory Note shall be governed by the internal laws of the State of New York.

* * * * * * *

IN WITNESS WHEREOF, the Maker has caused this Promissory Note to be executed as of the date first set forth above.

AVALON CABLE LLC

By: _____
Name:
Title:

EXHIBIT 3.6

BY-LAWS

OF

AVALON CABLE HOLDINGS FINANCE, INC.
A DELAWARE CORPORATION

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware, County of New Castle. The name of the corporation's registered agent at such address shall be The Corporation Trust Company. The registered office and/or registered agent of the corporation may be changed from time to time by action of the board of directors.

Section 2. Other Offices. The corporation may also have offices at such other places, both within and without the State of Delaware, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place and Time of Meetings. An annual meeting of the stockholders shall be held each year within one hundred twenty (120) days after the close of the immediately preceding fiscal year of the corporation for the purpose of electing directors and conducting such other proper business as may come before the meeting. The date, time and place of the annual meeting shall be determined by the president of the corporation; provided, that if the president does not act, the board of directors shall determine the date, time and place of such meeting.

Section 2. Special Meetings. Special meetings of stockholders may be called for any purpose and may be held at such time and place, within or without the State of Delaware, as shall be stated in a notice of meeting or in a duly executed waiver of notice thereof. Such meetings may be called at any time by the board of directors or the president and shall be called by the president upon the written request of holders of shares entitled to cast not less than a majority of the votes at the meeting, such written request shall state the purpose or purposes of the meeting and shall be delivered to the president.

Section 3. Place of Meetings. The board of directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting called by the board of directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the corporation.

Section 4. Notice. Whenever stockholders are required or permitted to take action at a meeting, written or printed notice stating the place, date, time, and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. All such notices shall be delivered, either personally or by mail, by or at the direction of the board of directors, the president or the secretary, and if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the corporation. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Stockholders List. The officer having charge of the stock ledger of the corporation shall make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Quorum. The holders of a majority of the outstanding shares of capital stock, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise provided by statute or by the certificate of incorporation. If a quorum is not present, the holders of a majority of the shares present in person or represented by proxy at the meeting, and entitled to vote at the meeting, may adjourn the meeting to another time and/or place.

Section 7. Adjourned Meetings. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Vote Required. When a quorum is present, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the question is one upon which by express provisions of an applicable law or of the certificate of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 9. Voting Rights. Except as otherwise provided by the General Corporation Law of the State of Delaware or by the certificate of incorporation of the corporation or any amendments thereto and subject to Section 3 of Article VI hereof, every stockholder shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of common stock held by such stockholder.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. Any proxy is suspended when the person executing the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person executing the proxy. At each meeting of the stockholders, and before any voting commences, all proxies filed at or before the meeting shall be submitted to and examined by the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

Section 11. Action by Written Consent. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken and bearing the dates of signature of the stockholders who signed the consent or consents, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the state of Delaware, or the corporation's principal place of business, or an officer or agent of the corporation having custody of the book or books in which proceedings of meetings of the stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested provided, however, that no consent or consents delivered by certified or registered mail shall be deemed delivered until such consent or consents are actually received at the registered office. All consents properly delivered in accordance with this section shall be deemed to be

recorded when so delivered. No written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation as required by this section, written consents signed by the holders of a sufficient number of shares to take such corporate action are so recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Any action taken pursuant to such written consent or consents of the stock holders shall have the same force and effect as if taken by the stockholders at a meeting thereof.

ARTICLE III

DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by or under the direction of the board of directors.

Section 2. Number, Election and Term of Office. The number of directors which shall constitute the first board shall be five (5). Thereafter, the number of directors shall be established from time to time by resolution of the board. The directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. The directors shall be elected in this manner at the annual meeting of the stockholders, except as provided in Section 4 of this Article III. Each director elected shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal and Resignation. Any director or the entire board of directors may be removed at any time, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the corporation's certificate of incorporation, the provisions of this section shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Any director may resign at any time upon written notice to the corporation.

Section 4. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. Each director so chosen shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as herein provided.

Section 5. Annual Meetings. The annual meeting of each newly elected board of directors shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of stockholders.

Section 6. Other Meetings and Notice. Regular meetings, other than the annual meeting, of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by resolution of the board. Special meetings of the board of directors may be called by or at the request of the president on at least twenty-four (24) hours notice to each director, either personally, by telephone, by mail, or by telegraph.

Section 7. Quorum, Required Vote and Adjournment. A majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the board of directors. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. Committees. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation, which to the extent provided in such resolution or these by-laws shall have and may exercise the powers of the board of directors in the management and affairs of the corporation except as otherwise limited by law. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

Section 9. Committee Rules. Each committee of the board of directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the board of directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. In the event that a member and that member's alternate, if alternates are designated by the board of directors as provided in Section 8 of this Article III, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

Section 10. Communications Equipment. Members of the board of directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons

participating in the meeting can hear each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

Section 11. Waiver of Notice and Presumption of Assent. Any member of the board of directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

Section 12. Action by Written Consent. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

ARTICLE IV

OFFICERS

Section 1. Number. The officers of the corporation shall be elected by the board of directors and shall consist of a president, one or more vice-presidents, secretary, a treasurer, and such other officers and assistant officers as may be deemed necessary or desirable by the board of directors. Any number of offices may be held by the same person. In its discretion, the board of directors may choose not to fill any office for any period as it may deem advisable, except that the offices of president and secretary shall be filled as expeditiously as possible.

Section 2. Election and Term of Office. The officers of the corporation shall be elected annually by the board of directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as conveniently may be. The president shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of stockholders or as soon thereafter as conveniently may be. The president shall appoint other officers to serve for such terms as he or she deems desirable. Vacancies may be filled or new offices created and filled at any meeting of the board of directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal. Any officer or agent elected by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term by the board of directors then in office.

Section 5. Compensation. Compensation of all officers shall be fixed by the board of directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the corporation.

Section 6. The President. The president shall be the chief executive officer of the corporation; shall preside at all meetings of the stockholders and board of directors at which he is present; subject to the powers of the board of directors, shall have general charge of the business, affairs and property of the corporation, and control over its officers, agents and employees; and shall see that all orders and resolutions of the board of directors are carried into effect. The president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The president shall have such other powers and perform such other duties as may be prescribed by the board of directors or as may be provided in these by-laws.

Section 7. Vice-presidents. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the board of directors or by the president, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice-presidents shall also perform such other duties and have such other powers as the board of directors, the president or these by-laws may, from time to time, prescribe.

Section 8. The Secretary and Assistant Secretaries. The secretary shall attend all meetings of the board of directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose. Under the president's supervision, the secretary shall give, or cause to be given, all notices required to be given by these by-laws or by law; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe; and shall have custody of the corporate seal of the corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such

other powers as the board of directors, the president, or secretary may, from time to time, prescribe.

Section 9. The Treasurer and Assistant Treasurer. The treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation; shall deposit all monies and other valuable effects in the name and to the credit of the corporation as may be ordered by the board of directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the president and the board of directors, at its regular meeting or when the board of directors so requires, an account of the corporation; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe. If required by the board of directors, the treasurer shall give the corporation a bond (which shall be rendered every six (6) years) in such sums and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of the office of treasurer and for the restoration to the corporation, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in the possession or under the control of the treasurer belonging to the corporation. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. The assistant treasurers shall perform such other duties and have such other powers as the board of directors, the president or treasurer may, from time to time, prescribe.

Section 10. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these by-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the board of directors.

Section 11. Absence or Disability of Officers. In the case of the absence or disability of any officer of the corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the board of directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

ARTICLE V

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 1. Nature of Indemnity. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of the corporation as a director, officer, employee, fiduciary, or agent of

another corporation or of a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent which it is empowered to do so unless prohibited from doing so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding) and such indemnification shall inure to the benefit of his heirs, executors and administra tors; provided, however, that, except as provided in Section 2 hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of the corporation. The right to indemnification conferred in this Article V shall be a contract right and, subject to Sections 2 and 5 hereof, shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Procedure for Indemnification of Directors and Officers. Any indemnification of a director or officer of the corporation under Section 1 of this Article V or advance of expenses under Section 5 of this Article V shall be made promptly, and in any event within thirty (30) days, upon the written request of the director or officer. If a determination by the corporation that the director or officer is entitled to indemnification pursuant to this Article V is required, and the corporation fails to respond within sixty (60) days to a written request for indemnity, the corporation shall be deemed to have approved the request. If the corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days, the right to indemnification or advances as granted by this Article V shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Article Not Exclusive. The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance. The corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the corporation 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 any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the corporation would have the power to indemnify such person against such liability under this Article V.

Section 5. Expenses. Expenses incurred by any person described in Section 1 of this Article V in defending a proceeding shall be paid by the corporation in advance of such proceeding's final disposition unless otherwise determined by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 6. Employees and Agents. Persons who are not covered by the foregoing provisions of this Article V and who are or were employees or agents of the corporation, or who are or were serving at the request of the corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the board of directors.

Section 7. Contract Rights. The provisions of this Article V shall be deemed to be a contract right between the corporation and each director or officer who serves in any such capacity at any time while this Article V and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of this Article V or any such law shall not affect any rights or obligations then existing with respect to any state of facts or proceeding then existing.

Section 8. Merger or Consolidation. For purposes of this Article V, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article V with respect

to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Form. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the president or a vice-president and the secretary or an assistant secretary of the corporation, certifying the number of shares of a specific class or series owned by such holder in the corporation. If such a certificate is countersigned (1) by a transfer agent or an assistant transfer agent other than the corporation or its employee or (2) by a registrar, other than the corporation or its employee, the signature of any such president, vice-presi dent, secretary, or assistant secretary may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. Shares of stock of the corporation shall only be transferred on the books of the corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the corporation of the certificate or certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization, and other matters as the corporation may reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate or certificates, and record the transaction on its books. The board of directors may appoint a bank or trust company organized under the laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the corporation.

Section 2. Lost Certificates. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his or her legal representative, to give the corporation a bond sufficient to indemnify

the corporation against any claim that may be made against the corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 3. Fixing a Record Date for Stockholder Meetings. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

Section 4. Fixing a Record Date for Action by Written Consent. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

Section 5. Fixing a Record Date for Other Purposes. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 6. Registered Stockholders. Prior to the surrender to the corporation of the certificate or certificates for a share or shares of stock with a request to record the transfer of such share or shares, the corporation may treat the registered owner as the person entitled to receive dividends, to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner. The corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

Section 7. Subscriptions for Stock. Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the board of directors. Any call made by the board of directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due the corporation.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 2. Checks, Drafts or Orders. All checks, drafts, or other orders for the payment of money by or to the corporation and all notes and other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation, and in such manner, as shall be determined by resolution of the board of directors or a duly authorized committee thereof.

Section 3. Contracts. The board of directors may authorize any officer or officers, or any agent or agents, of the corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 4. Loans. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

Section 5. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

Section 6. Corporate Seal. The board of directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 7. Voting Securities Owned By Corporation. Voting securities in any other corporation held by the corporation shall be voted by the president, unless the board of directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

Section 8. Inspection of Books and Records. Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in the State of Delaware or at its principal place of business.

Section 9. Section Headings. Section headings in these by-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 10. Inconsistent Provisions. In the event that any provision of these by-laws is or becomes inconsistent with any provision of the certificate of incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these by-laws shall not

be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VIII

AMENDMENTS

These by-laws may be amended, altered, or repealed and new by-laws adopted at any meeting of the board of directors by a majority vote. The fact that the power to adopt, amend, alter, or repeal the by-laws has been conferred upon the board of directors shall not divest the stockholders of the same powers.

EXHIBIT 3.7

BY-LAWS

OF

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

A DELAWARE CORPORATION

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be located at 1013 Centre Road, Wilmington Delaware 19805, in the County of New Castle. The name of the corporation's registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the corporation may be changed from time to time by action of the board of directors.

Section 2. Other Offices. The corporation may also have offices at such other places, both within and without the State of Delaware, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place and Time of Meetings. An annual meeting of the stockholders shall be held each year for the purpose of electing directors and conducting such other proper business as may come before the meeting. The date, time and place of the annual meeting may be determined by resolution of the board of directors or as set by the president of the corporation.

Section 2. Special Meetings. Special meetings of stockholders may be called for any purpose (including, without limitation, the filling of board vacancies and newly created directorships), and may be held at such time and place, within or without the State of Delaware, as shall be stated in a notice of meeting or in a duly executed waiver of notice thereof. Such meetings may be called at any time by two or more members of the board of directors or the president and shall be called by the president upon the written request of holders of shares entitled to cast not less than fifty percent (50%) of the outstanding shares of any series or class of the corporation's Capital Stock.

Section 3. Place of Meetings. The board of directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting called by the board of directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the corporation.

Section 4. Notice. Whenever stockholders are required or permitted to take action at a meeting, written or printed notice stating the place, date, time, and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. All such notices shall be delivered, either personally or by mail, by or at the direction of the board of directors, the president or the secretary, and if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the corporation. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Stockholders List. The officer having charge of the stock ledger of the corporation shall make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Quorum. Except as otherwise provided by applicable law or by the Certificate of Incorporation, a majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time in accordance with Section 7 of this Article, until a quorum shall be present or represented.

Section 7. Adjourned Meetings. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Vote Required. When a quorum is present, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the question is one upon which by express provisions of an applicable law or of the certificate of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question. Where a separate vote by class is required, the affirmative vote of the majority of shares of such class present in person or represented by proxy at the meeting shall be the act of such class.

Section 9. Voting Rights. Except as otherwise provided by the General Corporation Law of the State of Delaware or by the certificate of incorporation of the corporation or any amendments thereto and subject to Section 3 of the Article VI hereof, every stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of common stock held by such stockholder.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him, her or it by proxy. Every proxy must be signed by the stockholder granting the proxy or by his, her or its attorney-in-fact. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

Section 11. Action by Written Consent. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken and bearing the dates of signature of the stockholders who signed the consent or consents, shall be signed by the holders of outstanding stock having not less than a majority of the shares entitled to vote, or, if greater, not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the state of Delaware, or the corporation's principal place of business, or an officer or agent of the corporation having custody of the book or books in which proceedings of meetings of the stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested provided, however, that no consent or consents delivered by certified or registered mail shall be deemed delivered until such consent or consents are actually received at the registered office. All consents properly delivered in accordance with this section shall be deemed to be recorded when so delivered. No written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered to the corporation as required by this section, written consents signed by the holders of a sufficient number of shares to take such corporate action

are so recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Any action taken pursuant to such written consent or consents of the stockholders shall have the same force and effect as if taken by the stockholders at a meeting thereof.

ARTICLE III

DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by or under the direction of the board of directors.

Section 2. Number, Election and Term of Office. The number of directors which shall constitute the first board shall be one (1). Thereafter, the number of directors shall be established from time to time by resolution of the board. The directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. The directors shall be elected in this manner at the annual meeting of the stockholders, except as provided in Section 4 of this Article III. Each director elected shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal and Resignation. Any director or the entire board of directors may be removed at any time, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the corporation's certificate of incorporation, the provisions of this section shall apply, in respect to the removal without cause or a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Any director may resign at any time upon written notice to the corporation.

Section 4. Vacancies. Except as otherwise provided by the Certificate of Incorporation of the corporation or any amendments thereto, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority vote of the holders of the corporation's outstanding stock entitled to vote thereon. Each director so chosen shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as herein provided.

Section 5. Annual Meetings. The annual meeting of each newly elected board of directors shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of stockholders.

Section 6. Other Meetings and Notice. Regular meetings, other than the annual meeting, of the board of directors may be held without notice at such time and at such place as shall from time

to time be determined by resolution of the board. Special meetings of the board of directors may be called by or at the request of the president or vice president on at least 24 hours notice to each director, either personally, by telephone, by mail, or by telegraph; in like manner and on like notice the president must call a special meeting on the written request of at least a majority of the directors.

Section 7. Quorum, Required Vote and Adjournment. A majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the board of directors. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. Committees. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation, which to the extent provided in such resolution or these by-laws shall have and may exercise the powers of the board of directors in the management and affairs of the corporation except as otherwise limited by law. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

Section 9. Committee Rules. Each committee of the board of directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the board of directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. In the event that a member and that member's alternate, if alternates are designated by the board of directors as provided in Section 8 of this Article III, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

Section 10. Communications Equipment. Members of the board of directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

Section 11. Waiver of Notice and Presumption of Assent. Any member of the board of directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of

objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

Section 12. Action by Written Consent. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

ARTICLE IV

OFFICERS

Section 1. Number. The officers of the corporation shall be elected by the board of directors and shall consist of a chairman, if any is elected, a president, a chief executive officer, one or more vice presidents, a secretary, a treasurer, and such other officers and assistant officers as may be deemed necessary or desirable by the board of directors. Any number of offices may be held by the same person, except that no person may simultaneously hold the office of president and secretary. In its discretion, the board of directors may choose not to fill any office for any period as it may deem advisable.

Section 2. Election and Term of Office. The officers of the corporation shall be elected annually by the board of directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as conveniently may be. The president shall appoint other officers to serve for such terms as he or she deems desirable. Vacancies may be filled or new offices created and filled at any meeting of the board of directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal. Any officer or agent elected by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term by the board of directors then in office.

Section 5. Compensation. Compensation of all officers shall be fixed by the board of directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the corporation.

Section 6. The Chairman of the Board. The Chairman of the Board, if one shall have been elected, shall be the chief executive officer of the Corporation, shall be a member of the board, and, if present, shall preside at each meeting of the board of directors or shareholders. The Chairman of the Board shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. He shall advise the president, and in the president's absence, other officers of the Corporation, and shall perform such other duties as may from time to time be assigned to him by the board of directors.

Section 7. The President. The President shall be the chief executive officer of the corporation. In the absence of the Chairman of the Board or if a Chairman of the Board shall have not been elected, the president shall preside at all meetings of the stockholders and board of directors at which he or she is present; subject to the powers of the board of directors, shall have general charge of the business, affairs and property of the corporation, and control over its officers, agents and employees; and shall see that all orders and resolutions of the board of directors are carried into effect. The president shall have such other powers and perform such other duties as may be prescribed by the board of directors or as may be provided in these by-laws.

Section 8. Vice-presidents. The vice-president, if any, or if there shall be more than one, the vice-presidents in the order determined by the board of directors shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice-presidents shall also perform such other duties and have such other powers as the board of directors, the president or these by-laws may, from time to time, prescribe.

Section 9. The Secretary and Assistant Secretaries. The secretary shall attend all meetings of the board of directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose. Under the president's supervision, the secretary shall give, or cause to be given, all notices required to be given by these by-laws or by law; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe; and shall have custody of the corporate seal of the corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors, the president, or secretary may, from time to time, prescribe.

Section 10. The Treasurer and Assistant Treasurer. The treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation; shall deposit all monies and other valuable effects in the name and to the credit of the corporation as may be ordered by the board of directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the president and the board of directors, at its regular meeting or when the board of directors so requires, an account of the corporation; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe. If required by the board of directors, the treasurer shall give the corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of the office of treasurer and for the restoration to the corporation, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the possession or under the control of the treasurer belonging to the corporation. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. The assistant treasurers shall perform such other duties and have such other powers as the board of directors, the president or treasurer may, from to time, prescribe.

Section 11. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these by-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the board of directors.

Section 12. Absence or Disability of Officers. In the case of the absence or disability of any officer of the corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the board of directors may be resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

ARTICLE V

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 1. Nature of Indemnity. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or a person of whom he is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of the corporation as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, fiduciary or agent or in any other capacity while serving as a director, officer, employee, fiduciary or agent, shall be indemnified and held harmless

by the corporation to the fullest extent which it is empowered to do so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 2 hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of the corporation. The right to indemnification conferred in this Article V shall be a contract right and, subject to Sections 2 and 5 hereof, shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Procedure for Indemnification of Directors and Officers. Any indemnification of a director or officer of the corporation under Section 1 of this Article V or advance of expenses under Section 5 of this Article V shall be made promptly, and in any event within 30 days, upon the written request of the director or officer. If a determination by the corporation that the director or officer is entitled to indemnification pursuant to this Article V is required, and the corporation fails to respond within sixty days to a written request for indemnity, the corporation shall be deemed to have approved the request. If the corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within 30 days, the right to indemnification or advances as granted by this Article V shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Nonexclusivity of Article V. The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance. The corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the corporation 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 any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the corporation would have the power to indemnify such person against such liability under this Article V.

Section 5. Expenses. Expenses incurred by any person described in Section 1 of this Article V in defending a proceeding shall be paid by the corporation in advance of such proceeding's final disposition unless otherwise determined by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 6. Employees and Agents. Persons who are not covered by the foregoing provisions if this Article V and who are or were employees or agents of the corporation, or who are or were serving at the request of the corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the board of directors.

Section 7. Contract Rights. The provisions of this Article V shall be deemed to be a contract right between the corporation and each director or officer who serves in any such capacity at any time while this Article V and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of this Article V or any such law shall not affect any rights or obligations then existing with respect to any state of facts or proceeding then existing.

Section 8. Merger or Consolidation. For purposes of this Article V, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article V with respect

to the resulting or surviving corporation as he or she would have with respect to the constituent corporation if its separate existence had continued.

ARTICLE IV

CERTIFICATES OF STOCK

Section 1. Form. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the chairman of the board, the president or a vice-president and the secretary or an assistant secretary of the corporation, certifying the number of shares owned by such holder in the corporation. If such a certificate is countersigned (1) by a transfer agent or an assistant transfer agent other than the corporation or its employee or (2) by a registrar, other than the corporation or its employee, the signature of any such chairman of the board, president, vice-president, secretary, or assistant secretary may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. Shares of stock of the corporation shall only be transferred on the books of the corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the corporation of the certificate or certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization, and other matters as the corporation may be reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate or certificates, and record the transaction on its books. The board of directors may appoint a bank or trust company organized under the laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the corporation.

Section 2. Lost Certificates. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his or her legal representative, to give the corporation a bond sufficient to indemnify

the corporation against any claim that may be made against the corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 3. Fixing a Record Date for Stockholder Meetings. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

Section 4. Fixing a Record Date for Action by Written Consent. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

Section 5. Fixing a Record Date for Other Purposes. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 6. Subscriptions for Stock. Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the board of directors. Any call made by the board of directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due the corporation.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 2. Checks, Drafts or Orders. All checks, drafts, or other orders for the payment of money by or to the corporation and all notes and other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation, and in such manner, as shall be determined by resolution of the board of directors or a duly authorized committee thereof.

Section 3. Contracts. The board of directors may authorize any officer or officers, or any agent or agents, of the corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 4. Loans. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

Section 5. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

Section 6. Corporate Seal. The board of directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 7. Voting Securities Owned By Corporation. Voting securities in any other corporation held by the corporation shall be voted by the president, unless the board of directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

Section 8. Inspection of Books and Records. Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in the State of Delaware or at its principal place of business.

Section 9. Section Headings. Section headings in these by-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 10. Inconsistent Provisions. In the event that any provision of these by-laws is or becomes inconsistent with any provision of the certificate of incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these by-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VIII

AMENDMENTS

These by-laws may be amended, altered, or repealed and new by-laws adopted at any meeting of the board of directors by a majority vote. The fact that the power to adopt, amend, alter, or repeal

the by-laws has been conferred upon the board of directors shall not divest the stockholders of the same persons.

EXHIBIT 4.1
EXECUTION COPY

AVALON CABLE OF MICHIGAN HOLDINGS, INC.,

AVALON CABLE LLC

AND

AVALON CABLE HOLDINGS FINANCE, INC.,

AS ISSUERS

11 7/8% SENIOR DISCOUNT NOTES DUE 2008

INDENTURE

Dated as of December 10, 1998

THE BANK OF NEW YORK,

as Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(i)(b)	7.10
(ii)(c)	N.A.
311(a)	7.11
(b)	7.11
(iii)(c)	N.A.
312(a)	2.5
(b)(5)	11.3
(iv)(c)	11.3
313(a)	7.6
(b)(1)	10.3
(b)(2)	7.7
(v)(c)	7.6 11.2
(v)(d)	7.6
314(a)	4.3; 11.2
(A)(b)	10.2
(c)(1)	11.4
(c)(2)	11.4
(c)(3)	N.A.
(vi)(e)	11.5
(f)	N.A.
315(a)	7.1
(b)	7.5 11.2
(B)(c)	7.1
(d)	7.1
(e)	6.11
316(a)(last sentence)	2.9
(a)(1)(A)	6.5
(a)(1)(B)	6.4
(a)(2)	N.A.
(b)	6.7
(C)(c)	2.12
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.2
318(a)	11.1

(b)	N.A.
(c)	11.1

N.A. means not applicable.
*This Cross-Reference Table is not part of the Indenture.

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INDENTURE dated as of December 10, 1998 among Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings"), Avalon Cable LLC, a Delaware limited liability company ("Avalon Holdings") and Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Finance Holdings") and The Bank of New York, a New York banking corporation, as trustee (the "Trustee").

The Issuers, any Guarantors (as defined herein) and the Trustee agree as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the 11% Senior Discount Notes due 2008 (the "Initial Senior Discount Notes") and the 11% Senior Discount Notes due 2008 if and when issued in the Exchange Offer (the "New Senior Discount Notes" and, together with the Initial Senior Discount Notes and the Additional Senior Discount Notes, if any, the "Senior Discount Notes"):

ARTICLE 1.
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 DEFINITIONS.

"ABRY" means ABRY Partners, Inc.

"ABRY III" means ABRY Broadcast Partners III, L.P.

"ABRY Management Agreement" means the Management and Consulting Services Agreement entered into as of May 29, 1998 and amended and restated as of November 6, 1998 by and among ABRY Partners, Inc., Avalon Michigan and Avalon New England and any successor agreement; provided that any such successor agreement shall not modify the ABRY Management Agreement as in effect as of November 6, 1998 in any material respect, taken as a whole, adverse to the Issuers and their Subsidiaries or the Trustee.

"ABRY Subordinated Debt" means Indebtedness of the Issuers in principal amount not to exceed $30.0 million in the aggregate at any time outstanding (a) that is owed to Avalon, directly or indirectly, or to ABRY III, ABRY or any other investment fund controlled by ABRY, (b) as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness shall be subordinate to the prior payment in full of the Senior Discount Notes and the Senior Subordinated Notes to at least the following extent: (i) no payments of principal (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any default in the payment of principal (or premium, if any) or interest on the Senior Discount Notes and/or the Senior Subordinated Notes exists and (ii) in the event that any other default that with the passing of time or the giving of notice, or both, would constitute an event of default exists with respect to the Senior Discount Notes and/or the Senior Subordinated Notes, upon notice by 25% or more in principal amount at maturity of the Senior Discount Notes and/or the Senior Subordinated Notes, as appropriate, to the trustee under the Senior Discount Notes and/or the Senior Subordinated Notes, such trustee or trustees shall have the right to give notice to the Issuers and the holder of

such Indebtedness (or trustees or agents therefor) of a payment blockage, and thereafter no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be made for a period of 179 days from the date of such notice and (c) that shall automatically convert into common equity of the Issuers within 18 months of the date of issuance thereof, unless refinanced.

"Accreted Value" means as of any date prior to December 1, 2003, an amount per $1,000 principal amount at maturity of the Senior Discount Notes that is equal to the sum of (a) the initial offering price of each Senior Discount Note and (b) the portion of the excess of the principal amount at maturity of each Senior Discount Note over such initial offering price which shall have been amortized through such date, such amount to be so amortized on a daily basis and compounded semi-annually on each June 1, and December 1, at the rate of 11% per annum from the Issue Date through the date of determination computed on the basis of a 360-day year of twelve 30-day months.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Acquisition Transactions" means the acquisition (i) by the Issuers and their Subsidiaries of 1,822,810 outstanding shares of the common stock of Mercom, (ii) by Avalon Michigan or Avalon Michigan LLC of a cable television system from Cross Country Cable TV, Inc., (iii) by Avalon Michigan or Avalon Michigan LLC of a cable television system from Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P., (iv) by Avalon Michigan or Avalon Michigan LLC of the assets of Traverse Internet, Inc. and (v) by Avalon New England of all of the cable system assets of Taconic Technology Corp.

"Additional Senior Discount Notes" means an additional $50.0 million in aggregate principal amount at issuance of Senior Discount Notes issued under this Indenture after the Issue Date in accordance with Sections 2.2 and 4.9 hereof.

"Affiliate"' means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "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 or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar, Paying Agent, co-registrar, authenticating agent or securities custodian.

"Amrac" means Amrac Clear View, a Limited Partnership.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Cedel that apply to such transfer or exchange.

"Asset Sale" means (i) the sale, lease, conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuers and their Restricted Subsidiaries taken as a whole will be governed by Sections 4.15 and 5.1 and not by the provisions of Section 4.10, and (ii) the issue or sale by the Issuers or any of their Restricted Subsidiaries of Equity Interests in any of their Restricted Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions (a) that have a fair market value in excess of $2.5 million or (b) for Net Cash Proceeds in excess of $2.5 million. Notwithstanding the foregoing: (i) a transfer of assets by any of the Issuers to a Restricted Subsidiary of any Issuer or by a Restricted Subsidiary of any Issuer to such Issuer or to another Issuer or Restricted Subsidiary of an Issuer, (ii) an issuance or sale of Equity Interests by a Restricted Subsidiary of an Issuer to any Issuer or to another Issuer or Restricted Subsidiary of any Issuer, (iii) a Restricted Payment that is permitted by the covenant described under Section 4.7 and (iv) transactions that are part of the Reorganization will not be deemed to be Asset Sales.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Avalon" means Avalon Cable Holdings LLC, a Delaware limited liability company.

"Avalon Michigan" means Avalon Cable of Michigan, Inc., a Pennsylvania corporation.

"Avalon Michigan LLC" means Avalon Cable of Michigan LLC, a Delaware limited liability company.

"Avalon New England" means Avalon Cable of New England LLC, a Delaware limited liability company.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means, as to any Person, the board of directors of such Person (or, if such Person is a limited liability company, the board of managers of such Person) or similar governing body or any duly authorized committee thereof.

"Broker-Dealer" has the meaning set forth in the Registration Rights Agreement.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Cable Michigan" means Cable Michigan, Inc., a Pennsylvania corporation.

"Capital Lease Obligation" means, as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and, for the purposes of the Indenture, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock and (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited).

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (iii) certificates of deposit and Eurodollar time deposits with maturities of not more than one year from the date of acquisition, bankers' acceptances with maturities of not more than one year from the date of acquisition and overnight bank deposits, in each case with (A) Brown Brothers Harriman or (B) any other domestic commercial bank having capital and surplus in excess of $500 million and a Thompson Bank Watch Rating of "B" or better, (iv) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having the highest rating obtainable from Moody's Investors Service, Inc. or one of the two highest ratings from Standard & Poor's with maturities of not more than one year from the date of acquisition and (vi) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (i)-(v) of this definition.

"Cedel" means Cedel Bank, S.A.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the combined assets of the Issuers and their Restricted Subsidiaries, taken as a whole, or of all or substantially all of the, direct or indirect, assets of Avalon, in either case, to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than another Issuer, a Restricted Subsidiary or an Additional Obligor; (ii) the adoption of a plan relating to the liquidation or dissolution of an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers; (iii) (A) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Principals, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition), directly or indirectly, of more than 35% of the Capital Stock of Avalon (measured by voting power rather than number of shares) and (B) the Principals "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition), directly or indirectly, in the aggregate a lesser percentage of the Capital Stock of Avalon (measured by voting power rather than number of shares) than such other person; (iv) the first day on which a majority of the members of the Board of Directors of Avalon are not Continuing Managers; or (v) (A) Avalon or an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers, consolidates with, or merges with or into, any Person or (B) any Person consolidates with, or merges with or into, Avalon or an Issuer or Issuers which individually or in the aggregate holds all or substantially all of the combined assets of the Issuers, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of such Issuer or Issuers or Avalon is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of such Issuer or Issuers or Avalon outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance); provided, however, that notwithstanding the foregoing, the Reorganization shall not be deemed to be a Change of Control.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Company Issuers" means initially Avalon Michigan, Avalon New England and Avalon Cable Finance, Inc. or any successor thereto; provided that subsequent to the Reorganization, the Company Issuers shall be Avalon New England, Avalon Michigan LLC, as successor to Avalon Michigan, and Avalon Cable Finance, Inc. or any successor thereto.

"Completed Acquisitions" means the acquisitions of Cable Michigan, Amrac and Pegasus by Avalon or an Affiliate of Avalon.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) Consolidated Interest Expense of such Person for such period, to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing such Consolidated Net Income, plus (v) other non-cash items decreasing such Consolidated Net Income, minus (vi) non-cash items increasing such Consolidated Net Income for such period (other than items that were accrued in the ordinary course of business), in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), (ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (iii) any interest expense on Indebtedness of another Person that is guaranteed by such Person or any of its Restricted Subsidiaries or secured by a Lien on assets of such Person or any of its Restricted Subsidiaries (whether or not such guarantee or Lien is called upon) and (iv) the product of (a) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Restricted Subsidiary) on any series of preferred stock of such Person or any of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries (for such period, on a consolidated basis, determined in accordance with GAAP); provided that (i) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary, (ii) the Net Income of

any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iii) the cumulative effect of a change in accounting principles shall be excluded and (iv) the Net Income of any Unrestricted Subsidiary shall be excluded whether or not distributed to an Issuer or one of its Restricted Subsidiaries.

"Continuing Managers" means the managers of Avalon on the Issue Date and each other manager, if, in each case, such other manager's nomination for election to the board of managers of Avalon is recommended by at least 66 2/3% of the then Continuing Managers or such other manager receives the vote of the Permitted Investors in his or her election by the equityholders of Avalon.

"Control Investment Affiliate" means as to any Person, any other Person which (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.2 hereof or such other address as to which the Trustee may give notice to the Issuers.

"Credit Facility" means that certain Senior Credit Agreement, dated as of November 5, 1998, by and among the Company Issuers, the lenders party thereto, Lehman Commercial Paper Inc., as administrative agent, and other parties thereto, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"Custodian" means the Trustee, as custodian with respect to the Senior Discount Notes in global form, or any successor entity thereto.

"Default" means any event that is or with the passage of time or the giving of notice (or both) would be an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.6 hereof, in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Senior Discount Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.3 hereof as the Depositary with respect to the Senior Discount Notes, and any and all successors thereto

appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Senior Discount Notes mature, except to the extent that such Capital Stock is solely redeemable with, or solely exchangeable for, any Capital Stock of such Person that is not Disqualified Stock; provided, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuers or their Affiliates to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale shall not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuers or their Affiliates may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.7.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale of Capital Stock of any of the Issuers or Avalon or any Subsidiary of Avalon pursuant to which the Issuers together receive net proceeds of at least $25.0 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 Avalon or any Subsidiary of Avalon, the Net Cash Proceeds thereof shall have been contributed to one or more of the Issuers in the form of an equity contribution.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system.

"Excess Proceeds" means any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of the third paragraph under Section 4.10 within the applicable period.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement.

"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Existing Indebtedness" means up to $5.0 million in aggregate principal amount of Indebtedness of the Issuers and their Restricted Subsidiaries (other than Indebtedness under the Credit Facility and the Senior Discount Notes) in existence on the Issue Date, until such amounts are repaid.

"Existing Michigan Indebtedness" means Indebtedness incurred by Avalon Michigan or Mercom between the Issue Date and the completion of the Reorganization that would be permitted to be incurred under the terms of this Indenture, including any related notes, guarantees, collateral documents, instruments and agreement executed in connection therewith, and in each case, as amended, modified renewed, refunded, replaced or refinanced.

"Full Accretion Date" means December 1, 2003.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, except for the provisions described above under Sections 4.7 and 4.9, GAAP shall be determined on the basis of such principles in effect on the Issue Date.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes, in the form of Exhibit A hereto issued in accordance with Section 2.1, 2.6(b), 2.6(d) or 2.6(f) hereof.

"Global Note Legend" means the legend set forth in Section 2.6(g)(ii), which is required to be placed on all Global Notes issued under this Indenture.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantors" means (i) Avalon Michigan and Michigan Holdings upon the effective completion of the Reorganization and their execution of Guarantees of the Senior Discount Notes in accordance with the provisions of this Indenture and (ii) any Subsidiary that executes a Guarantee of the Senior Discount Notes in accordance with the provisions of this Indenture, and their respective successors and assigns.

"Hedging Obligations" means, with respect to any Person, the net payment Obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements in the ordinary course of business designed to protect such Person against fluctuations in commodity prices, interest rates or currency exchange rates.

"Holder" means a Person in whose name a Senior Discount Note is registered.

"IAI Global Note" means a global note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in an initial denomination equal to $0 for resales after the Issue Date to institutional "accredited investors" (as defined in Rule 501 under the Securities Act).

"Indebtedness" means, with respect to any Person, without duplication, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any Property acquired by such Person or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade or accounts payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all Indebtedness of others secured by a Lien on any asset of such Person (whether or not such Indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any Indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the face amount thereof, in the case of any Indebtedness with respect to acceptances, letters of credit and similar facilities, (ii) the accreted value thereof in the case of any Indebtedness that does not require current payments of interest and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness; provided, however, that, in each case, with respect to any Indebtedness of any Person secured by a Lien on any asset of such Person and non-recourse to such Person, the amount of such Indebtedness shall be the lesser of (A) the principal amount thereof and (B) the fair market value of the Property subject to such Lien. Notwithstanding the foregoing, the term "Indebtedness" shall not include Indebtedness of the Issuers to Affiliates for which principal and interest payments are not required to be made prior to the maturity of the Senior Discount Notes and which is otherwise subordinated to the prior payment in full of the Senior Discount Notes.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Purchasers" means Lehman Brothers Inc. and Barclays Capital Inc.

"Initial Senior Discount Notes" means $196.0 million in aggregate principal amount at maturity of Senior Discount Notes issued under this Indenture on the date hereof.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including Guarantees of Indebtedness or other Obligations), advances of assets or capital contributions (excluding commission, travel and entertainment, moving, and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If any of the Issuers or any of their Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of any Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a direct or indirect Restricted Subsidiary of any Issuer, such Issuer or such Restricted Subsidiary, as the case may be, shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.7.

"Issue Date" means the date on which $196.0 million aggregate principal amount at maturity of the Senior Discount Notes are originally issued.

"Issuers" means, initially, Michigan Holdings, Avalon Holdings and Finance Holdings or any successor thereto; provided that subsequent to the Reorganization, the Issuers shall be Avalon Holdings and Finance Holdings or any successor thereto.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

"Letter of Transmittal" means the letter of transmittal to be prepared by the Issuers and sent to all Holders of the Senior Discount Notes for use by such Holders in connection with the Exchange Offer.

"Leverage Ratio" means the ratio of (i) the aggregate outstanding amount of Indebtedness of each of the Issuers and their Restricted Subsidiaries as of the date of calculation on a combined consolidated basis in accordance with GAAP (subject to the terms described in the next paragraph) plus the aggregate liquidation preference of all outstanding Disqualified Stock of the Issuers and preferred stock of the Issuers' Restricted Subsidiaries (except preferred stock issued to the Issuers or a Wholly Owned Subsidiary of the Issuers) on such date to (ii) the

aggregate Consolidated Cash Flow of the Issuers for the full fiscal quarter ending on or prior to the date of determination multiplied by four.

For purposes of this definition, (i) the amount of Indebtedness which is issued at a discount shall be deemed to be the accreted value of such Indebtedness at the end of the quarter, whether or not such amount is the amount then reflected on a balance sheet prepared in accordance with GAAP, and (ii) the aggregate outstanding principal amount of Indebtedness of the Issuers and their Subsidiaries and the aggregate liquidation preference of all outstanding preferred stock of the Issuers' Subsidiaries for which such calculation is made shall be determined on a pro forma basis as if the Indebtedness and preferred stock giving rise to the need to perform such calculation had been incurred and issued and the proceeds therefrom had been applied, and all other transactions in respect of which such Indebtedness is being incurred or preferred stock is being issued had occurred, on the first day of the quarter. In addition to the foregoing, for purposes of this definition, Consolidated Cash Flow shall be calculated on a pro forma basis after giving effect to (i) the incurrence of the Indebtedness of such Person and its Subsidiaries and the issuance of the preferred stock of such Subsidiaries (and the application of the proceeds therefrom) giving rise to the need to make such calculation and any incurrence (and the application of the proceeds therefrom) or repayment of other Indebtedness, at any time subsequent to the beginning of the quarter and on or prior to the date of determination, as if such incurrence or issuance (and the application of the proceeds thereof), or the repayment, as the case may be, occurred on the first day of the quarter (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such period) and (ii) any acquisition (including, without limitation, the acquisitions of Cable Michigan, Amrac and Pegasus and any other acquisition giving rise to the need to make such calculation as a result of such Person or one of its Subsidiaries (including any Person that becomes a Subsidiary as a result of such acquisition) incurring, assuming or otherwise becoming liable for Indebtedness or such Person's Subsidiaries issuing preferred stock) at any time on or subsequent to the first day of the quarter and on or prior to the date of determination, as if such acquisition (including the incurrence, assumption or liability for any such Indebtedness and the issuance of such preferred stock and also including any Consolidated Cash Flow associated with such acquisition) occurred on the first day of the quarter, giving pro forma effect to any non-recurring expenses, non-recurring costs and cost reductions within the first year after such acquisition the Issuers anticipate if the Issuers deliver to the Trustee an officer's certificate executed by the chief financial or accounting officer of any of the Issuers certifying to and describing and quantifying with reasonable specificity such non-recurring expenses, non-recurring costs and cost reductions. Furthermore, in calculating Consolidated Interest Expense for purposes of the calculation of Consolidated Cash Flow, (a) interest on Indebtedness determined on a fluctuating basis as of the date of determination (including Indebtedness actually incurred on the date of the transaction giving rise to the need to calculate the Leverage Ratio) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness as in effect on the date of determination and (b) notwithstanding (a) above, interest determined on a fluctuating basis, to the extent such interest is covered by

Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in any asset and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Mercom" means Mercom, Inc., a Delaware corporation.

"Mercom Intercompany Loan" means the Term Credit Agreement between Mercom and Cable Michigan, Inc. originally dated as of November 26, 1989, amended and restated as of August 16, 1995, further amended and restated as of September 29, 1997 and as may be further amended from time to time; provided that any such further amendment shall not modify the Mercom Intercompany Loan as in effect as of September 29, 1997 in any material respect, taken as a whole, adverse to the Issuers and their Subsidiaries or the Trustee or the Holders.

"Mercom Management Agreement" means the Management Agreement between Mercom and Cable Michigan, Inc. dated as of January 1, 1997, as may be amended from time to time; provided that any such amendment shall not modify the Mercom Management Agreement as in effect as of January 1, 1997 in any material respect.

"Merger" means the merger of Avalon Cable Michigan, Inc. with and into Cable Michigan, Inc.

"Net Cash Proceeds" means (a) with respect to any Asset Sale, the aggregate cash proceeds or Cash Equivalents received by the Issuers or any of their Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) all costs relating to such Asset Sale (including, without limitation, legal, accounting, investment banking and brokers fees, and sales and underwriting commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (ii) any reserve established in accordance with GAAP or amounts deposited in escrow for adjustment in respect of the sale price of such asset or assets or for indemnities with respect to any Asset Sale (provided that such amounts shall be Net Cash Proceeds to the extent and at the time released or not required to be reserved) and (iii) amounts required to be applied to the repayment of Indebtedness secured by a Lien which is expressly permitted hereunder on any asset that is the subject of such Asset Sale

and (b) with respect to transactions or events other than Asset Sales, the aggregate cash proceeds or Cash Equivalents received by the Issuers or any of their Restricted Subsidiaries in connection therewith less the reasonable fees, commissions and other out-of-pocket expenses incurred by the Issuers or any of their Restricted Subsidiaries in connection with such transaction or event and less any taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and (ii) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"New Senior Discount Notes" has the meaning assigned to it in the preamble to this Indenture.

"Non-Recourse Debt" means Indebtedness (i) as to which none of the Issuers nor any of their Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise) or (c) constitutes the lender; and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any Indebtedness (other than the Senior Discount Notes being offered hereby) of any of the Issuers or their Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lender have been notified in writing that they will not have any recourse to the stock or assets of any of the Issuers or their Restricted Subsidiaries.

"Non-US. Person" means a Person who is not a U.S. Person.

"Obligations" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to any Issuer or any of their Restricted Subsidiaries whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages (including Liquidated Damages), guarantees and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereof.

"Offering" means the offering of the Initial Senior Discount Notes by the Issuers.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice President of such Person.

"Officers' Certificate" means a certificate that meets the requirements of Section 11.5 hereof and is signed on behalf of any Person by any two of the following Officers: the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer or any Vice President.

"144A Global Note" means a global note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Senior Discount Notes sold in reliance on Rule 144A.

"Opinion of Counsel" means a written opinion from legal counsel that meets the requirements of Section 11.5 hereof. The counsel may be an employee of or counsel to the Issuers, any Subsidiary of the Issuers or the Trustee.

"Parent Guarantors" means Avalon Michigan and Michigan Holdings upon the effective completion of the Reorganization and their execution of Guarantees of the Senior Discount Notes in accordance with the provisions of this Indenture.

"Participant" means, with respect to the Depositary, Euroclear or Cedel, a Person who has an account with the Depositary, Euroclear or Cedel, respectively (and, with respect to The Depository Trust Company, shall include Euroclear and Cedel).

"Pegasus" means, collectively, Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc.

"Permitted Business" means any business engaged in by the Issuers or their Restricted Subsidiaries as of the Issue Date or any business reasonably related, ancillary or complementary thereto.

"Permitted Investments" means (a) any Investment in any Issuer or in any Restricted Subsidiary of the Issuers; (b) any Investment in Cash Equivalents constituting Cash Equivalents at the time made; (c) any Investment by the Issuers or any of their Restricted Subsidiaries in a Person engaged in a Permitted Business, if as a result of such Investment (i) such Person becomes a Wholly-Owned Subsidiary of any Issuer or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, any of the Issuers or any of their Restricted Subsidiaries; (d) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made in compliance with Section 4.10; (e) any acquisition of assets solely in exchange for the

issuance of Equity Interests (other than Disqualified Stock) of any of the Issuers; (f) other Investments by the Issuers or any of their Restricted Subsidiaries in any Person having an aggregate fair market value (measured as of the date made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (f) that are at the time outstanding, not to exceed $10.0 million; (g) Investments arising in connection with Hedging Obligations that are incurred in the ordinary course of business, for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding) in connection with the conduct of the business of the Issuers and their Restricted Subsidiaries; (h) prior to the completion of the Mercom Acquisition, the Mercom Intercompany Loan; and (i) any Investment existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement, refinancing, in whole or in part, thereof.

"Permitted Investors" means the collective reference to ABRY and its Control Investment Affiliates, including ABRY III.

"Permitted Liens" means (i) Liens securing Indebtedness under the Credit Facility or other senior Indebtedness if such Indebtedness was permitted by the terms of the Indenture to be incurred, (ii) Liens securing Indebtedness of any Restricted Subsidiary of any of the Issuers if such Indebtedness was permitted by the terms of the Indenture to be incurred; (iii) Liens securing Hedging Obligations with respect to Indebtedness permitted by the Indenture to be incurred; (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with any of the Issuers or any of their Restricted Subsidiaries; provided that such Liens were not created in contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with such Issuer; (v) Liens on property existing at the time of acquisition thereof by any of the Issuers or any of their Restricted Subsidiaries, provided that such Liens were not created in contemplation of such acquisition and only extend to the property so acquired; (vi) Liens existing on the Issue Date; (vii) Liens to secure any Permitted Refinancing Indebtedness incurred to refinance any Indebtedness secured by any Lien referred to in the foregoing clauses (ii) through (vi), as the case may be, at the time the original Lien became a Permitted Lien; (viii) Liens in favor of any of the Issuers or any of their Restricted Subsidiaries; (ix) Liens incurred in the ordinary course of business of the Issuers or any of their Restricted Subsidiaries with respect to obligations that do not exceed the greater of $15.0 million or 5% of Total Assets in the aggregate at any one time outstanding and that (a) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (b) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of business by such Issuer or such Restricted Subsidiary; (x) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, deposits to secure the performance of bids, trade contracts, government contracts, leases or licenses or other obligations of a like nature incurred in the ordinary course of business (including, without limitation, landlord Liens on leased properties); (xi) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being

contested in good faith by appropriate proceedings promptly instituted and diligently prosecuted, provided that any reserve or other appropriate provision as shall be required to conform with GAAP shall have been made therefor; (xii) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (vi) of the second paragraph of Section 4.9 covering only the assets acquired with such Indebtedness; (xiii) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations not overdue for a period in excess of 60 days or which are being contested in good faith by appropriate proceedings promptly instituted and diligently prosecuted; provided that any reserve or other appropriate provision as shall be required to conform with GAAP shall have been made therefor; (xiv) easements, rights-of-way, zoning and similar restrictions and other similar encumbrances or title defects incurred, or leases or subleases granted to others, in the ordinary course of business, which do not in any case materially detract from the value of the Property subject thereto or do not interfere with or adversely affect in any material respect the ordinary conduct of the business of the Issuers and their Restricted Subsidiaries taken as a whole; (xv) Liens in favor of customs and revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business and other similar Liens arising in the ordinary course of business; (xvi) leases or subleases granted to third Persons not materially interfering with the ordinary course of business of the Issuers or any of their Restricted Subsidiaries; (xvii) Liens (other than any Lien imposed by ERISA or any rule or regulation promulgated thereunder) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security; (xviii) deposits made in the ordinary course of business to secure liability to insurance carriers; (xix) Liens to secure Indebtedness permitted under Section 4.9; provided, that any such Lien encumbers only the assets so purchased with the proceeds thereof; (xx) any attachment or judgment Lien not constituting an Event of Default under clause (vii) of the first paragraph of Section 6.1; (xxi) any interest or title of a lessor or sublessor under any operating lease; (xxii) Liens under licensing agreements for use of Intellectual Property entered into in the ordinary course of business; (xxiii) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of any of the Issuers or any of their Restricted Subsidiaries, including rights of offset and set-off; (xxiv) bankers' Liens in respect of deposit accounts; (xxv) Liens created under this Indenture; (xxvi) Liens imposed by law incurred by the Issuers or their Restricted Subsidiaries in the ordinary course of business; and (xxvii) any renewal of or substitution for any Lien permitted by clauses (i) through (xxvi), provided, however, that with respect to Liens incurred pursuant to this clause (xxvii), the principal amount secured has not increased nor the Liens extended to any additional property (other than proceeds of the property in question).

"Permitted Refinancing Indebtedness" means any Indebtedness of any of the Issuers or any of their Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of such Issuer or such Restricted Subsidiary (other than intercompany Indebtedness); provided that either: (A) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued and unpaid interest on, any Indebtedness so extended, refinanced, renewed, replaced,

defeased or refunded (plus the amount of reasonable fees and expenses incurred in connection therewith); (B) for Indebtedness other than Indebtedness incurred pursuant to the Credit Facility, such Permitted Refinancing Indebtedness has a final maturity date the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (C) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Senior Discount Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Senior Discount Notes on terms at least as favorable to the Holders of Senior Discount Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (D) such Indebtedness is incurred either by the Issuer or the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded or by the parent company of such obligor.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or any other entity.

"Principal" means (i) Permitted Investors and (ii) the members of management of the Issuers or any of the Subsidiaries of the Issuers as of the Issue Date, in each case, together with any spouse or immediate family member (including adoptive children), estate, heirs, executors, personal representatives and administrators of such Person.

"Private Placement Legend" means the legend set forth in Section 2.6(g)(i) to be placed on all Senior Discount Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of December 10, 1998, by and among the Issuers and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"Regulation S Permanent Global Note" means a permanent global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"Regulation S Temporary Global Note" means a temporary global Note in the form of Exhibit A hereto bearing the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Senior Discount Notes initially sold in reliance on Rule 903 of Regulation S.

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior Indebtedness.

"Reorganization" means the related series of substantially simultaneous transactions pursuant to which (i) substantially all the assets of Avalon Michigan (other than, at the option of Avalon Michigan, the Capital Stock of Mercom and any Subsidiary of Avalon Michigan organized for purposes of consummating the Mercom Acquisition) and Mercom (other than, at the option Avalon Michigan, the Capital Stock of Wholly-Owned Subsidiaries of Mercom) are transferred to Avalon Michigan LLC; (ii) substantially all of the liabilities of Avalon Michigan and Mercom (other than liabilities hereunder and, at the option of Avalon Michigan, intercompany debt) are transferred to Avalon Michigan LLC; (iii) Michigan Holdings ceases to be an Issuer and together with Avalon Michigan becomes a guarantor under the Indenture and (iv) certain Indebtedness of Avalon New England shall be assumed by Avalon Michigan.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Note" means a Global Note bearing the Private Placement Legend.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Period" means the 40-day distribution compliance period as defined in Regulation S.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; provided that, on the Issue Date, all Subsidiaries of each of the Issuers shall be Restricted Subsidiaries of each such Issuer.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Discount Note Guarantee" means the supplemental indenture, in the form of Exhibit D hereto, executed and delivered to the Trustee pursuant to which each Guarantor will guarantee payment of the Senior Discount Notes.

"Senior Discount Notes" has the meaning assigned to it in the preamble to this Indenture.

"Senior Subordinated Notes" means the Senior Subordinated Notes issued by the Company Issuers, as co-obligors, under an indenture dated as of December 10, 1998 among the Company Issuers and the Bank of New York, as trustee.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary"as defined in Article 1 Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the Issue Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the credit agreement or other original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Strategic Equity Investment" means a cash contribution to the equity capital of any of the Issuers or a purchase from any such Issuer of common Equity Interests (other than Disqualified Stock), in either case by or from a Strategic Equity Investor and for aggregate cash consideration of at least $25.0 million.

"Strategic Equity Investor" means, as of any date, any Person (other than an Affiliate of any of the Issuers) engaged in a Permitted Business.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or an entity described in clause (i) and related to such Person or (b) the only general partners of which are such Person or of one or more entities described in clause (i) and related to such Person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Total Assets" means the total combined consolidated assets of the Issuers and their Restricted Subsidiaries, as shown on the most recent balance sheets (excluding the footnotes thereto) of the Issuers.

"Total Revenues" means the total combined consolidated revenues of the Issuers and their Restricted Subsidiaries, as shown on the most recent balance sheets (excluding the footnotes thereto) of the Issuers.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Global Note" means a permanent global Note in the form of Exhibit A attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary, representing a series of Senior Discount Notes that does not bear the Private Placement Legend.

"Unrestricted Definitive Note" means one or more Definitive Notes that do not bear and are not required to bear the Private Placement Legend.

"Unrestricted Subsidiary" means (i) any Subsidiary that is designated by the Board of Directors of the applicable Issuer as an Unrestricted Subsidiary pursuant to a Board Resolution; but only to the extent that such Subsidiary: (a) has no Indebtedness other than Non-Recourse Debt; (b) is not party to any agreement, contract, arrangement or understanding with such Issuer or any Restricted Subsidiary of such Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to such Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of such Issuer; (c) is a Person with respect to which none of the Issuers nor any of their Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (d) has not guaranteed or otherwise directly

or indirectly provided credit support for any Indebtedness of the Issuers or any of their Restricted Subsidiaries. The Board of Directors of the Issuers may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuers of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted pursuant to Section 4.9, calculated on a pro forma basis as if such designation had occurred at the beginning of the reference period, and (ii) no Default or Event of Default would be in existence following such designation.

For purposes of the applicable Board of Directors making a determination that a Restricted Subsidiary is an Unrestricted Subsidiary, all outstanding Investments by each Issuer and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of Section 4.7. All such outstanding Investments will be deemed to constitute Investments in an amount equal to the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the requirements contained in the definition of an Unrestricted Subsidiary.

Any designation of an Unrestricted Subsidiary by the applicable Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolutions of the Board of Directors of the applicable Issuer giving effect to such designation and an Officers' Certificate of the applicable Issuer certifying that such designation complied with the terms of the Indenture governing the designation of Unrestricted Subsidiaries and was permitted by Section 4.7. If, at any time, any Unrestricted Subsidiary fails to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the applicable Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under Section 4.9 hereof, such Issuer shall be in default of such covenant).

"U.S. Person" means a U.S. person as defined in Rule 902(k) under the Securities Act.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date

and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Subsidiary of any Person" means a Restricted Subsidiary of such Person all of the outstanding Capital Stock and other Equity Interests of which shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.2 OTHER DEFINITIONS.

Term	Defined in Section
"Accreted Interest Redemption Amount"	3.10
"Affiliate Transaction"	4.11
"Asset Sale Offer"	4.10
"Authentication Order"	2.2
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.3
"DTC"	2.3
"Event of Default"	6.1
"Excess Proceeds"	4.10
"Funding Guarantor"	10.4
"incur"	4.9
"Legal Defeasance"	8.2
"Offer Amount"	3.9
"Offer Period"	3.9
"Paying Agent"	2.3
"Payment Default"	6.1
"Permitted Debt"	4.9
"Purchase Date"	3.9
"Redemption Date"	3.7
"Registrar"	2.3
"Restricted Payments"	4.7
"Successor Guarantor"	5.2

SECTION 1.3 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Senior Discount Notes and the Senior Discount Note Guarantees;

"indenture security Holder" means a Holder of a Security;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"Obligor" on the indenture securities means the Issuers, the Guarantors and any successor obligor upon the indenture securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.4 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) or is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

SECTION 1.5 ONE CLASS OF SECURITIES.

The Initial Senior Discount Notes, the New Senior Discount Notes and the Additional Senior Discount Notes, if any, shall vote and consent together on all matters as one class and none of the Initial Senior Discount Notes, the New Senior Discount Notes or the

Additional Senior Discount Notes shall have the right to vote or consent as a separate class on any matter.

ARTICLE 2.
THE SENIOR DISCOUNT NOTES

SECTION 2.1 FORM AND DATING.

(a) General.

The Senior Discount Notes and the Trustee's certificate of authentication shall be substantially in the forms as in Exhibit A hereto. The Senior Discount Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Senior Discount Note shall be dated the date of its authentication. The Senior Discount Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Senior Discount Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Issuers, any Guarantor and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Senior Discount Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Global Notes.

Senior Discount Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Senior Discount Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such of the outstanding Senior Discount Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount at maturity of outstanding Senior Discount Notes from time to time endorsed thereon and that the aggregate principal amount at maturity of outstanding Senior Discount Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount at maturity of outstanding Senior Discount Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Issuers, in accordance with written instructions given by the Holder thereof as required by Section 2.6 hereof.

(c) Temporary Global Notes

Senior Discount Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Senior Discount Notes represented thereby with the Trustee, at its New York office, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Cedel Bank, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The Restricted Period shall be terminated upon the receipt by the Trustee of (i) a written certificate from the Depositary, together with copies of certificates from Euroclear and Cedel Bank certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount at maturity of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or an IAI Global Note bearing a Private Placement Legend, all as contemplated by Section 2.6(b)(ii) hereof), and (ii) an Officers' Certificate from the Issuers. Following the termination of the Restricted Period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in Regulation S Permanent Global Notes pursuant to the Applicable Procedures. Simultaneously with the authentication of Regulation S Permanent Global Notes, the Trustee shall cancel the Regulation S Temporary Global Note. The aggregate principal amount at maturity of the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(d) Euroclear Cedel Procedures Applicable.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Cedel Bank" and "Customer Handbook" of Cedel Bank shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Note and the Regulation S Global Notes that are held by Participants through Euroclear or Cedel Bank.

SECTION 2.2 EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Senior Discount Notes for each of the Issuers by manual or facsimile signature. The Issuers' seals, if any, may be reproduced on the Senior Discount Notes and may be in facsimile form.

If an Officer whose signature is on a Senior Discount Note no longer holds that office at the time a Senior Discount Note is authenticated, the Senior Discount Note shall nevertheless be valid.

A Senior Discount Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Senior Discount Note has been authenticated under this Indenture.

The Trustee shall, upon a written order of each of the Issuers signed by two Officers of each Issuer (an "Authentication Order"), (i) authenticate Senior Discount Notes for original issue up to the aggregate principal amount at issuance of $110,410,720 (such Senior Discount Notes authenticated in the aggregate principal amount at maturity of $196,000,000) and (ii) authenticate Additional Senior Discount Notes for issue up to the aggregate principal amount at issuance of $50,000,000 (such Senior Discount Notes authenticated in the aggregate principal amount of maturity as determined at such time). The aggregate principal amount at issuance of Senior Discount Notes outstanding at any time may not exceed $160,410,720 except as provided in Section 2.7 hereof. The Trustee shall also authenticate the Senior Discount Notes as required by Section 2.6 hereof.

The Trustee may (at the expense of the Issuers) appoint an authenticating agent acceptable to the Issuers to authenticate Senior Discount Notes. An authenticating agent may authenticate Senior Discount Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuers and has the same protections under Article 7 herein.

SECTION 2.3 REGISTRAR AND PAYING AGENT.

The Issuers shall maintain an office or agency where Senior Discount Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Senior Discount Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Senior Discount Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers shall promptly notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Issuers, any of their Subsidiaries or any Guarantor may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

The Issuers initially appoint the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

SECTION 2.4 PAYING AGENT TO HOLD MONEY IN TRUST.

The Issuers shall require each Paying Agent other than the Trustee or the Issuers, any of their Subsidiaries or any Guarantor to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Senior Discount Notes, and will notify the Trustee in writing of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money so paid over. If an Issuer, a Subsidiary or a Guarantor acts as Paying Agent, it shall segregate and hold in a separate trust funds for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuers, the Trustee shall serve as Paying Agent for the Senior Discount Notes.

SECTION 2.5 HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA (S) 312(a). If the Trustee is not the Registrar, the Issuers shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Senior Discount Notes and the Issuers shall otherwise comply with TIA (S) 312(a).

SECTION 2.6 TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Global Notes.

A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Issuers for Definitive Notes if (i) the Issuers deliver to the Trustee written notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 120 days after the date of such notice from the Depositary; (ii) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and deliver a written notice to such effect to the Trustee or (iii) there shall have occurred and be continuing a Default or Event of Default with respect to the Senior Discount Notes; provided that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuers for Definitive Notes prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act. Upon the occurrence of either of the preceding events

in (i) or (ii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee in writing. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.7 and 2.10 hereof. Every Senior Discount Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.6 or Section 2.7 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Senior Discount Note other than as provided in this Section 2.6(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.6(b),(c) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes.

The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Temporary Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.6(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.6(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) written instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the

Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act. Upon consummation of an Exchange Offer by the Issuers and any Guarantors in accordance with Section 2.6(f) hereof, the requirements of this Section 2.6(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Senior Discount Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.6(h) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.6(b)(ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications and certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in the Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.6(b)(ii) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the

beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the New Senior Discount Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount at maturity equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Issuers or any of their Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount at maturity of the applicable Global Note to be reduced accordingly pursuant to Section 2.6(h) hereof, and the Issuers shall execute and the Trustee shall upon receipt by a Responsible Officer of an Authentication Order authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.6(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar in writing through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall (at the expense of the Issuers) deliver such Definitive Notes to the Persons in whose names such Senior Discount Notes are so registered. Any

Definitive Notes issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.6(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Notwithstanding Sections 2.6(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(iii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the New Senior Discount Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Definitive Note that does not bear the

Private Placement Legend, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof,

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iv) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.6(b)(ii) hereof, the Trustee shall cause the aggregate principal amount at maturity of the applicable Global Note to be reduced accordingly pursuant to Section 2.6(h) hereof, and the Issuers shall execute and the Trustee shall upon receipt of an Authentication Order authenticate and (at the expense of the Issuers) deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.6(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall (at the expense of the Issuers) deliver such Definitive Notes to the Persons in whose names such Senior Discount Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.6(c)(iv) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Senior Discount Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Senior Discount Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an institutional accredited investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3)(d) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to the Issuers or any of their Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount at maturity of, in the case of clause (A) above, the appropriate Restricted Global Notes, in the case of clause (B) above, the 144A Global Notes, and in the case of clause (C) above, the Regulation S Global Note, and in all other cases if applicable, the IAI Global Note.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Senior Discount Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the

case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the New Senior Discount Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Definitive Note proposes to exchange such Senior Discount Note for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the Holder of such Definitive Note proposes to transfer such Senior Discount Note to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.6(d)(ii), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount at maturity of the Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a written request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase

or cause to be increased the aggregate principal amount at maturity of one of the Unrestricted Global Note.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount at maturity equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes.

Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.6(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer duly executed by such Holder or by his attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.6(e).

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Notes may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Notes if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the New Senior Discount Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Note proposes to exchange such Senior Discount Note for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the Holder of such Restricted Definitive Note proposes to transfer such Senior Discount Note to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), an Opinion of Counsel to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Note may transfer such Senior Discount Note to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Note pursuant to the instructions from the Holder thereof.

(f) Exchange Offer.

Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2, the Trustee shall authenticate (i) one or more Unrestricted Global

Notes in an aggregate principal amount at maturity equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by Persons that certify in the applicable Letters of Transmittal that (x) they are not Broker-Dealers, (y) they are not participating in a distribution of the New Senior Discount Notes and (z) they are not affiliates (as defined in Rule 144) of the Issuers, and accepted for exchange in the Exchange Offer and (ii) Definitive Notes in an aggregate principal amount at maturity equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Senior Discount Notes, the Trustee shall cause the aggregate principal amount at maturity of the applicable Restricted Global Notes to be reduced accordingly, and the Issuers shall execute and the Trustee shall authenticate and (at the expense of the Issuers) deliver to the Persons designated by the Holders of Definitive Notes so accepted Definitive Notes in the appropriate principal amount.

(g) Legends.

The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Senior Discount Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

> "THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A OF THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 UNDER THE SECURITIES ACT OR

(d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUERS SO REQUEST), (2) TO EITHER ISSUER OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) to this Section 2.6 (and all Senior Discount Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend .

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.7 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.6(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS."

(iii) Regulation S Temporary Global Note Legend. The Regulation S Temporary Global Note shall bear a legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(iv) Original Issue Discount Legend. Each Global Note and each Definitive Note (and all Senior Discount Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT, FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, THE ISSUE PRICE OF THIS NOTE IS 56.332% OF ITS PRINCIPAL AMOUNT AT MATURITY, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $436.68 PER $1,000 OF PRINCIPAL AMOUNT AT MATURITY, THE ISSUE DATE IS DECEMBER 10, 1998 AND THE YIELD TO MATURITY IS 11 7/8%."

(h) Cancellation and/or Adjustment of Global Notes.

At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Senior Discount Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.2 hereof or upon receipt of a written request of the Registrar.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.6, 3.9, 4.10, 4.15 and 9.5 hereof).

(iii) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the legal, valid and binding obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(iv) Neither the Issuers nor the Registrar, as applicable, shall be required (A) to issue, to register the transfer of or to exchange any Senior Discount Notes during a period beginning at the opening of business 15 days before the day of any selection of Senior Discount Notes for redemption under Section 3.2 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Senior Discount Note so selected for redemption in whole or in part, except the unredeemed portion of any Senior Discount Note being redeemed in part or (C) to register the transfer of or to exchange a Senior Discount Note between a record date and the next succeeding interest payment date.

(v) Prior to due presentment for the registration of a transfer of any Senior Discount Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Senior Discount Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Senior Discount Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(vi) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.2 hereof.

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.6 to effect a registration of transfer or exchange may be submitted by facsimile.

SECTION 2.7 REPLACEMENT SENIOR DISCOUNT NOTES.

If any mutilated Senior Discount Note is surrendered to the Trustee or the Issuers and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Senior Discount Note, the Issuers shall issue and the Trustee, upon receipt of an Authentication Order, shall authenticate a replacement Senior Discount Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Senior Discount Note is replaced. The Issuers and the Trustee may charge for their expenses (including reasonable fees and expenses of its agents and counsel) in replacing a Senior Discount Note.

Every replacement Senior Discount Note is an additional obligation of the Issuers and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Senior Discount Notes duly issued hereunder.

SECTION 2.8 OUTSTANDING SENIOR DISCOUNT NOTES.

The Senior Discount Notes outstanding at any time are all the Senior Discount Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.9 hereof, a Senior Discount Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Senior Discount Note.

If a Senior Discount Note is replaced pursuant to Section 2.7 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Senior Discount Note is held by a bona fide purchaser.

If the principal amount of any Senior Discount Note is considered paid under Section 4.1 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than an Issuer, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Senior Discount Notes payable on that date, then on and after that date such Senior Discount Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.9 TREASURY SENIOR DISCOUNT NOTES.

In determining whether the Holders of the required principal amount of Senior Discount Notes have concurred in any direction, waiver or consent, Senior Discount Notes owned by the Issuers or any Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Discount Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.1 TEMPORARY SENIOR DISCOUNT NOTES.

Until certificates representing Senior Discount Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate temporary Senior Discount Notes. Temporary Senior Discount Notes shall be substantially in the form of certificated Senior Discount Notes but may have variations that the Issuers consider appropriate for temporary Senior Discount Notes.

Without unreasonable delay, the Issuers shall prepare and the Trustee shall authenticate Definitive Notes in exchange for temporary Senior Discount Notes.

Holders of temporary Senior Discount Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11 CANCELLATION.

The Issuers at any time may deliver Senior Discount Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Senior Discount Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Senior Discount Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall return such canceled Senior Discount Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all canceled Senior Discount Notes shall be delivered (at the expense of the Issuers) to the Issuers. The Issuers may not issue new Senior Discount Notes to replace Senior Discount Notes that it has paid or that have been delivered to the Trustee for cancellation (except as otherwise provided herein).

SECTION 2.12 DEFAULTED INTEREST.

If the Issuers default in a payment of interest on the Senior Discount Notes, they shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Senior Discount Notes and in Section 4.1 hereof. The Issuers shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Senior Discount Note and the date of the proposed payment. The Issuers shall fix or cause to be fixed each such special record date and payment date, provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13 CUSIP NUMBERS.

The Issuers in issuing the Senior Discount Notes may use "CUSIP" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders, provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Senior Discount Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Senior Discount Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuers shall promptly notify the Trustee of any change in the CUSIP numbers.

In the event that the Issuers shall issue and the Trustee shall authenticate any Additional Senior Discount Notes pursuant to this Indenture, the Issuers shall use their best efforts to obtain the same CUSIP number for such Additional Senior Discount Notes as is printed on the Senior Discount Notes outstanding at such time; provided, however, that if any Additional Senior Discount Notes is determined, pursuant to an Opinion of Counsel, to be a different class of security than the Senior Discount Notes outstanding at such time for federal income tax purposes, the Issuers may obtain a CUSIP number for such Additional Senior Discount Notes that is different from the CUSIP number printed on the Senior Discount Notes then outstanding.

SECTION 2.14 LIMITATION OF ISSUER'S AND ADDITIONAL OBLIGOR'S LIABILITY.

Each Issuer and Additional Obligor, if any, and by its acceptance hereof each Holder and the Trustee, hereby confirms that it is the intention of all such parties that the obligations under this Indenture and the Senior Discount Notes not constitute a fraudulent transfer or conveyance for purposes of Title 11 of the United States Code, as amended, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar U.S. Federal or state or other applicable law. To effectuate the foregoing intention, the Holders and each Issuer or Additional Obligor hereby irrevocably agree that the obligations of each Issuer and Additional Obligor under the Indenture and the Senior Discount Notes shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Issuer or Additional Obligor and after giving effect to any collections from or payments made by or on behalf of any other Issuer or Additional Obligor in respect of the obligations of such other Issuer or Additional Obligor pursuant to this Indenture or the Senior Discount Notes, result in the obligations of such Issuer or Additional Obligor not constituting such a fraudulent transfer or conveyance.

ARTICLE 3.
REDEMPTION AND PREPAYMENT

SECTION 3.1 NOTICES TO TRUSTEE.

If the Issuers elect to redeem Senior Discount Notes pursuant to the optional redemption provisions of Section 3.7 hereof, they shall furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Senior Discount Notes to be redeemed and (iv) the redemption price.

SECTION 3.2 SELECTION OF SENIOR DISCOUNT NOTES TO BE REDEEMED.

If less than all of the Senior Discount Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee shall select the Senior Discount Notes to be redeemed or purchased among the Holders of the Senior Discount Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Senior Discount Notes are listed or, if the Senior Discount Notes are not so listed, on a pro rata basis, by lot or in accordance with any other customary method. In the event of partial redemption by lot, the particular Senior Discount Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Senior Discount Notes not previously called for redemption.

The Trustee shall promptly notify the Issuers of the Senior Discount Notes selected for redemption and, in the case of any Senior Discount Note selected for partial redemption, the principal amount thereof to be redeemed. Senior Discount Notes and portions of Senior Discount Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Senior Discount Notes of a Holder are to be redeemed, the entire outstanding amount of Senior Discount Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Senior Discount Notes called for redemption also apply to portions of Senior Discount Notes called for redemption.

SECTION 3.3 NOTICE OF REDEMPTION.

Subject to the provisions of Section 3.9 hereof, at least 30 days but not more than 60 days before a redemption date, the Issuers shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Senior Discount Notes are to be redeemed at its registered address.

The notice shall identify the Senior Discount Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Senior Discount Note is being redeemed in part, the portion of the principal amount of such Senior Discount Note to be redeemed and that, after the redemption date upon surrender of such Senior Discount Note, a new Senior Discount Note or Senior Discount Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Senior Discount Note;

(d) the name and address of the Paying Agent;

(e) that Senior Discount Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Issuers default in making such redemption payment, interest on Senior Discount Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Senior Discount Notes and/or Section of this Indenture pursuant to which the Senior Discount Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Senior Discount Notes.

At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at their expense; provided, however, that the Issuers shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

SECTION 3.4 EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.3 hereof, Senior Discount Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.5 DEPOSIT OF REDEMPTION PRICE.

One Business Day prior to the redemption date, the Issuers shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Senior Discount Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Senior Discount Notes to be redeemed.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Senior Discount Notes or the portions of Senior Discount Notes called for redemption. If a Senior Discount Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Senior Discount Note was registered at the close of business on such record date. If any Senior Discount Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Senior Discount Notes and in Section 4.1 hereof.

SECTION 3.6 SENIOR DISCOUNT NOTES REDEEMED IN PART.

Upon surrender of a Senior Discount Note that is redeemed in part, the Issuers shall issue and, upon receipt of an Authentication Order, the Trustee shall authenticate for the Holder at the expense of the Issuers a new Senior Discount Note equal in principal amount to the unredeemed portion of the Senior Discount Note surrendered.

SECTION 3.7 OPTIONAL REDEMPTION.

(a) Except as described in clause (b) of this Section 3.7, the Senior Discount Notes will not be redeemable at the Issuers' option prior to December 1, 2003. Thereafter, the Senior Discount Notes will be subject to redemption at any time at the option of the Issuers, in whole or in part, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, 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%

(b) Notwithstanding the provisions of clause (a) of this Section 3.7, at any time prior to December 1, 2001, the Issuers 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 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; and provided, further, that each such redemption shall occur within 45 days of the date of the closing of such Equity Offering and/or Strategic Equity Investment.

(c) Any redemption pursuant to this Section 3.7 shall be made pursuant to the provisions of Section 3.1 through 3.6 hereof.

SECTION 3.8 MANDATORY REDEMPTION.

Except pursuant to Sections 3.10, 4.10 or 4.15, the Issuers shall not be required to make mandatory redemption or sinking fund payments with respect to the Senior Discount Notes.

SECTION 3.9 OFFER TO PURCHASE BY APPLICATION OF EXCESS PROCEEDS.

In the event that, pursuant to Section 4.10 hereof, the Issuers shall be required to commence an Asset Sale Offer, they shall follow the procedures specified below.

The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Issuers shall purchase the principal amount of Senior Discount Notes required to be purchased pursuant to Section 4.10 hereof (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Senior Discount Notes tendered in response to the Asset Sale Offer. Payment for any Senior Discount Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Senior Discount Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Senior Discount Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers shall send, by first class mail, a written notice to the Trustee and to each of the Holders. The notice shall contain all instructions and materials necessary to enable such Holders to tender Senior Discount Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to this Section 3.9 and Section 4.10 hereof and the length of time the Asset Sale Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Senior Discount Note not tendered or accepted for payment shall continue to accrete or accrue interest;

(d) that, unless the Issuers default in making such payment, any Senior Discount Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrete or accrue interest after the Purchase Date;

(e) that Holders electing to have a Senior Discount Note purchased pursuant to an Asset Sale Offer may only elect to have all of such Senior Discount Note purchased and may not elect to have only a portion of such Senior Discount Note purchased;

(f) that Holders electing to have a Senior Discount Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Senior Discount Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Senior Discount Note completed, or transfer by book-entry transfer, to the Issuers, a depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(g) that Holders shall be entitled to withdraw their election if the Issuers, the depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Senior Discount Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Senior Discount Note purchased;

(h) that, if the aggregate principal amount at maturity of Senior Discount Notes surrendered by Holders exceeds the Offer Amount, the Issuers shall select the Senior Discount Notes to be purchased on a pro rata basis, by lot or by any other customary method (with such adjustments as may be deemed appropriate by the Issuers so that only Senior Discount Notes in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(i) that Holders whose Senior Discount Notes were purchased only in part shall be issued new Senior Discount Notes equal in principal amount to the unpurchased portion of the Senior Discount Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers shall, to the extent lawful, accept for payment, as described in (h) above, to the extent necessary, the Offer Amount of Senior Discount Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Senior Discount Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Senior Discount Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.9. The Issuers, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior Discount Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers shall promptly issue a new Senior Discount Note, and the Trustee, upon receipt of an Authentication Order from the Issuers shall authenticate and mail or deliver such new Senior Discount Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Discount Note surrendered. Any Senior Discount Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers shall publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.9, any purchase pursuant to this Section 3.9 shall be made pursuant to the provisions of Sections 3.1 through 3.6 hereof.

SECTION 3.1 MANDATORY PAYMENT OF ACCRUED INTEREST.

On December 1, 2003, the Issuers shall be required to redeem an amount equal to $369.79 per $1,000 principal amount at maturity of each Senior Discount Note then outstanding (the "Accreted Interest Redemption Amount") on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

ARTICLE 4.
COVENANTS

SECTION 4.1 PAYMENT OF SENIOR DISCOUNT NOTES.

The Issuers shall pay or cause to be paid the principal of, premium, if any, and interest and Liquidated Damages, if any, on the Senior Discount Notes on the dates and in the manner provided in the Senior Discount Notes. Principal, premium, if any, and interest and Liquidated Damages, if any, shall be considered paid on the date due if the Paying Agent, if other than the Issuers or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest and Liquidated Damages, if any, then due. The Issuers shall pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Issuers shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Senior Discount Notes to the extent lawful; they shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.2 MAINTENANCE OF OFFICE OR AGENCY.

The Issuers shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Senior Discount Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Senior Discount Notes and this Indenture may be served. The Issuers shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Senior Discount Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Issuers shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.3.

SECTION 4.3 REPORTS.

(a) Whether or not the Issuers are required by the rules and regulations of the Commission, so long as any Senior Discount Notes are outstanding, the Issuers, on a combined consolidated basis, will furnish to each of the Holders of Senior Discount Notes (i) quarterly and annual financial statements substantially equivalent to financial statements that would have been included in a filing with the Commission on Forms 10-Q and 10-K if the Issuers were required to file such financial information, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Issuers and, with respect to the annual information only, reports thereon by the Issuers' independent public accountants (which shall be firm(s) of established national reputation) and (ii) all information that would be required to be filed with the Commission on Form 8-K if the Issuers were required to file such reports. All such information and reports shall be provided on or prior to the dates on which such filings would have been required to be made had such Issuer been subject to the rules and regulations of the Commission. In addition, the Issuers shall make such information available to securities analysts and prospective investors upon request. In addition, following the consummation of the exchange offer contemplated by the Registration Rights Agreement, whether or not required by the rules and regulations of the SEC, the Issuers shall file a copy of all such information and reports with the SEC for public availability within the time periods specified in the SEC's rules and regulations unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors upon request.

(b) For so long as any Senior Discount Notes remain outstanding, the Issuers shall furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 4.4 COMPLIANCE CERTIFICATE.

(a) The Issuers and any Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal quarter, an Officers' Certificate stating that a review of the activities of the Issuers and their Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and are not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Senior Discount Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or propose to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.3(a) above shall be accompanied by a written statement of the Issuers' independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Issuers have violated any provisions of Article 4 or Article 5 hereof, as they relate to accounting and financial matters, or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Issuers shall, so long as any of the Senior Discount Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

SECTION 4.5 TAXES.

The Issuers shall pay, and shall cause each of their Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Senior Discount Notes.

SECTION 4.6 STAY, EXTENSION AND USURY LAWS.

Each of the Issuers and any Guarantor covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuers and any Guarantor (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.7 RESTRICTED PAYMENTS.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any other payment or distribution on account of the Issuers' or any of their Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving any Issuer) or to the direct or indirect holders of the Issuers' or any of their Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of any Issuer and other than dividends or distributions payable to any Issuer or another Restricted Subsidiary and if such Restricted Subsidiary has equity holders other than any of the Issuers or other Restricted Subsidiaries, to its other equity holders on a pro rata basis); (ii) purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving any Issuer) any Equity Interests of any Issuer or any direct or indirect parent of any Issuer or other Affiliate of any Issuer; (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of any Issuer that is subordinated to the Senior Discount Notes, except a payment of interest or principal at Stated Maturity, or a payment of interest made through the issuance of additional Indebtedness of the same kind as the Indebtedness on which such interest shall have accrued or payment on Indebtedness owed to another Issuer and except any payment in respect of the ABRY Subordinated Debt; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Issuers would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable quarter, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the test set forth in the Section 4.9; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuers and their Restricted Subsidiaries after the Issue Date

(excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (vii), (viii), (ix), (x), (xi), (xii) and (xiii) of the next succeeding paragraph), is less than the sum of (i)(A) 100% of the aggregate Consolidated Cash Flow of the Issuers (or, in the event such Consolidated Cash Flow shall be a deficit, minus 100% of such deficit) accrued for the period beginning on the first day of the Issuers' first fiscal quarter commencing after the Issue Date and ending on the last day of the Issuers' most recent calendar month for which financial information is available to the Issuers ending prior to the date of such proposed Restricted Payment, taken as one accounting period, less (B) 1.4 times Consolidated Interest Expense for the same period, plus (ii) 100% of the aggregate Net Cash Proceeds received by the Issuers as a contribution to the equity capital of the Issuers or from the issue or sale since the Issue Date of Equity Interests of the Issuers (other than Disqualified Stock), or of Disqualified Stock or debt securities (including the ABRY Subordinated Debt) of the Issuers that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Restricted Subsidiary of the Issuers and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus (iii) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the amount of such Net Cash Proceeds plus (iv) to the extent that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary after the Issue Date, the fair market value of the Investment of the applicable Issuer or Restricted Subsidiary of such Issuer in such Subsidiary as of the date of such redesignation.

The foregoing provisions shall not prohibit (i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture; (ii) the redemption, repurchase, retirement, defeasance or other acquisition of any Indebtedness of any of the Issuers which is subordinated to the Senior Discount Notes or Equity Interests of any of the Issuers in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of any of the Issuers) of, other Equity Interests of any of the Issuers (other than any Disqualified Stock) or capital contributions to any of the Issuers; provided that the amount of any such Net Cash Proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c) (ii) of the preceding paragraph; (iii) the defeasance, redemption, repurchase or other acquisition of Indebtedness of any of the Issuers which is subordinated to the Senior Discount Notes with the Net Cash Proceeds from an incurrence of Permitted Refinancing Indebtedness; (iv) the payment of any dividend or distribution by a Restricted Subsidiary of any of the Issuers to the holders of its common Equity Interests so long as the applicable Issuer or such Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests; (v) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of any of the Issuers or the payment of a dividend to any Affiliates of the Issuers to effect the repurchase, redemption, acquisition or retirement of an Affiliate's equity interest, that are held by any member of any of the Issuers' (or any of their respective Restricted Subsidiaries) management pursuant to any management equity subscription or purchase agreement or stock option agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $2 million in any

fiscal year; (vi) from and after the time that the aggregate Consolidated Cash Flow of the Issuers (calculated on a pro forma basis as described in the definition of "Leverage Ratio") for any full fiscal quarter mutliplied by four exceeds $60 million, payments or distributions to any Affiliate of the Issuers to permit such Affiliate to pay for the performance of management functions by any Affiliate of the Issuers in an aggregate amount not to exceed the greater of (A) $250,000 in any fiscal year and (B) 0.25% of Total Revenues for such year; (vii) any payments or distributions or other transactions to be made in connection with the Merger, the Mercom Acquisition or the Reorganization (including fees and expenses incurred in connection therewith); (viii) payments to Affiliates of the Issuers and holders of Equity Interests in the Issuers in amounts equal to the amounts required to pay any Federal, state or local income taxes to the extent that (A) such income taxes are attributable to the income of the Issuers and their Restricted Subsidiaries (but limited, in the case of taxes based upon taxable income, to the extent that cumulative taxable net income subsequent to the Issue Date is positive) and (B) such taxes are related to Indebtedness between or among any of the Issuers and any of their Restricted Subsidiaries or Avalon or any of its Restricted Subsidiaries; (ix) Restricted Investments received in connection with an Asset Sale that complies with Section 4.10; (x) payments on the ABRY Subordinated Debt (including all accrued interest thereon) in accordance with the terms thereof; (xi) payments or distributions to dissenting stockholders pursuant to transactions permitted under the terms of the Indenture; (xii) the distribution by Avalon Holdings to the holders of its Capital Stock of all the Equity Interests held by Avalon Holdings in any of its Subsidiaries; provided that, substantially simultaneously with such distribution, such Equity Interests, and/or option to purchase all such Equity Interests, are sold to a third party for consideration in an amount at least equal to the fair market value of such Equity Interests and Avalon Holdings receives an amount equal to the Net Cash Proceeds of such sale and any other consideration received in connection therewith; and (xiii) other Restricted Payments in an aggregate amount not to exceed $5.0 million; provided, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (v), (vi), (x) and (xiii) above, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the applicable Issuer or the Restricted Subsidiary of such Issuer, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors of such Issuer or Restricted Subsidiary, as the case may be, whose resolution with respect thereto shall be delivered to the Trustee, such determination shall be conclusive and shall be based upon an opinion or appraisal issued by an appraisal, accounting or investment banking firm of national standing if such fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, such Issuer or Restricted Subsidiary, as the case may be, shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.7 were computed, together with a copy of any opinion or appraisal required by the Indenture.

SECTION 4.8 DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(x) pay dividends or make any other distributions to the Issuers or any of their Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (y) pay any Indebtedness owed to the Issuers or any of their Restricted Subsidiaries, (ii) make loans or advances to the Issuers or any of their Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Issuers or any of their Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (a) Existing Indebtedness as in effect on the Issue Date, (b) the Credit Facility as in effect on the date of the Indenture, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive with respect to such dividends and other payments restrictions than those contained in the Credit Facility as in effect on the date of the Indenture, (c) the terms of any Indebtedness permitted by the Indenture to be incurred by any Restricted Subsidiary of any of the Issuers, (d) the Indenture and the Senior Discount Notes, (e) the Indenture under which the Senior Subordinated Notes will be issued and the Senior Subordinated Notes, (f) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuers or any of their Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred, (g) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business, (h) purchase money obligations (including Capital Lease Obligations) for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (i) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced, (j) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary or (k) applicable law or any applicable rule, regulation or order.

SECTION 4.9 INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) other than Permitted Debt and the Issuers will not issue any Disqualified Stock and will not permit any of their Restricted Subsidiaries to issue any shares of preferred stock (other than to an Issuer or another Restricted Subsidiary); provided, however, that the Issuers may incur Indebtedness (including Acquired Debt) or issue shares of Disqualified Stock and any of the Issuers' Restricted Subsidiaries may incur Indebtedness or issue shares of preferred stock if the Issuers' Leverage Ratio at the time of incurrence of such Indebtedness or the issuance of such Disqualified Stock or such preferred stock, as the case may be, after giving pro forma effect to such incurrence or issuance and to the use of the proceeds therefrom would have been no greater than (a) 7.0 to 1, if such incurrence or issuance is on or prior to December 31, 2000, and (b) 6.5 to 1, if such incurrence or issuance is after December 31, 2000.

The Issuers will not incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Issuers unless such Indebtedness is also contractually subordinated in right of payment to the Senior Discount Notes on substantially identical terms; provided, however, that no Indebtedness of the Issuers shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuers solely by virtue of being unsecured.

The provisions of the first paragraph of this covenant shall not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(i) the incurrence by the Issuers or their Restricted Subsidiaries of Indebtedness under the Credit Facility, letters of credit (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuers and their Restricted Subsidiaries thereunder) and related Guarantees under the Credit Facility; provided that the aggregate principal amount of all Indebtedness of the Issuers and their Restricted Subsidiaries outstanding under the Credit Facility after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (i) does not exceed an amount equal to $345,888,000 less the aggregate amount applied by the Issuers and their Restricted Subsidiaries to permanently reduce the availability of Indebtedness under the Senior Credit Facility pursuant to the provisions described under Section 4.10;

(ii) the incurrence by the Issuers of the ABRY Subordinated Debt;

(iii) the incurrence by the Issuers and their Restricted Subsidiaries of Existing Indebtedness;

(iv) the incurrence by the Issuers of the Existing Michigan Indebtedness and the Mercom Intercompany Loan;

(v) the incurrence by the Issuers of Indebtedness represented by the Senior Discount Notes and the incurrence by the Company Issuers of Indebtedness represented by the Senior Subordinated Notes in an aggregate principal amount of $150 million outstanding on the date of the Indenture;

(vi) the incurrence by the Issuers or any of their Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Issuers or such Restricted Subsidiary, in an aggregate principal amount, including all Indebtedness incurred to refund, refinance or replace Indebtedness incurred pursuant to this clause (vi), not to exceed $10.0 million at any time outstanding;

(vii) the incurrence by the Issuers or any of their Restricted Subsidiaries of Permitted Refinancing Indebtedness;

(viii) the incurrence by the Issuers or any of their Restricted Subsidiaries of intercompany Indebtedness between or among any of the Issuers and any of their Restricted Subsidiaries; provided, however, that (i) if one of the Issuers is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Senior Discount Notes and the Indenture, and (ii)(A) any subsequent event or issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than one of the Issuers or a Restricted Subsidiary thereof and (B) any sale or other transfer of any such Indebtedness to a Person that is not any one of the Issuers or a Restricted Subsidiary thereof shall be deemed, in each case, to constitute an incurrence of such Indebtedness by such Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (viii);

(ix) the incurrence by the Issuers or any of their Restricted Subsidiaries of Hedging Obligations that are incurred in the ordinary course of business for the purpose of fixing or hedging currency, commodity or interest rate risk (including with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding) in connection with the conduct of their respective businesses and not for speculative purposes;

(x) the guarantee by the Issuers of Indebtedness of any of their Restricted Subsidiaries so long as the incurrence of such Indebtedness by such Restricted Subsidiary is permitted to be incurred by another provision of this Section 4.9;

(xi) the guarantee by any Restricted Subsidiary of Indebtedness of any of the Issuers so long as such guarantee by such Restricted Subsidiary complies with the provisions under Section 4.17;

(xii) Indebtedness consisting of customary indemnification, adjustments of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition of any business or assets; and

(xiii) the incurrence by the Issuers or any of their Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (xiii), not to exceed $15.0 million.

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xiii) above as of the date of incurrence thereof or is entitled to be incurred pursuant to the first paragraph of this covenant as of the date of incurrence thereof, the Issuers shall, in their sole discretion, classify or reclassify such item of Indebtedness in any manner that complies with this covenant. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed an issuance of Disqualified Stock.

SECTION 4.10 ASSET SALES.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, consummate an Asset Sale unless (i) such Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of its Board of Directors, whose determination shall be conclusive, set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) at least 75% of the consideration therefor received by such Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents; provided that the amount of (x) any liabilities (as shown on such Issuer's or such Restricted Subsidiary's most recent balance sheet), of such Issuer or any of its Restricted Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated to the Senior Discount Notes) that are assumed by the transferee of any such assets and (y) any securities, notes or other obligations received by such Issuer or any such Restricted Subsidiary from such transferee that are promptly converted by such Issuer or such Restricted Subsidiary into cash (to the extent of the cash received), shall be deemed to be cash for purposes of the foregoing and the next paragraph.

Notwithstanding the immediately preceding paragraph, the Issuers and their Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with

the prior paragraph if (i) such Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or other property sold, issued or otherwise disposed of (as evidenced by a resolution of its Board of Directors, which shall be conclusive, set forth in an Officers' Certificate delivered to the Trustee) and (ii) at least 75% of the consideration for such Asset Sale constitutes a controlling interest in a Permitted Business, assets used or useful in a Permitted Business and/or cash or Cash Equivalents; provided that any cash (other than any amount deemed cash under clause (ii)(x) of the preceding paragraph) or Cash Equivalents received by such Issuer or such Restricted Subsidiary in connection with any Asset Sale permitted to be consummated under this paragraph shall constitute Net Cash Proceeds subject to the provisions of the next paragraph.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer or such Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds, at its option, (a) to repay Indebtedness of the Company Issuers (and to correspondingly permanently reduce the commitments with respect thereto under the Credit Facility) or (b) to the acquisition of a controlling interest in a Permitted Business, the making of a capital expenditure or the acquisition of assets used or useful in a Permitted Business. Pending the final application of any such Net Cash Proceeds, the Issuers or such Restricted Subsidiary, as the case may be, may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Indenture. Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph within the applicable period shall be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers shall be required, to the extent permitted by the Senior Subordinated Note Indenture, to make an offer to all Holders of Senior Discount Notes and all holders of other pari passu Indebtedness of the Issuers containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds or sales of assets (an "Asset Sale Offer") to purchase the maximum principal amount of Senior Discount Notes and such other pari passu Indebtedness of the Issuers that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of repurchase (or, in the case of repurchases of Senior Discount Notes prior to the Full Accretion Date, at a purchase price equal to 100% of the Accreted Value thereof as of the date of repurchase), in accordance with Section 3.9 and such other Indebtedness. To the extent that any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuers may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount at maturity or Accreted Value (as applicable) of the Senior Discount Notes and such other Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Senior Discount Notes and such other Indebtedness to be purchased on a pro rata basis, by lot or by any other customary method; provided that no Senior Discount Notes of $1,000 or less shall be redeemed in part. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws

and regulations are applicable in connection with the repurchase of Senior Discount Notes pursuant to an Asset Sale Offer.

SECTION 4.11 TRANSACTIONS WITH AFFILIATES.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate of any such Person (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to such Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by such Issuer or such Restricted Subsidiary with an unrelated Person and (ii) such Issuer delivers to the Trustee (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $2.5 million, a resolution of its Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the members of its Board of Directors and (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an investment banking, appraisal or accounting firm of national standing; provided that none of the following shall be deemed to be Affiliate Transactions: (1) any employment agreement entered into by any of the Issuers or any of their Restricted Subsidiaries or Avalon in the ordinary course of business, (2) transactions between or among any of the Issuers and/or their Restricted Subsidiaries, (3) any sale or other issuance of Equity Interests (other than Disqualified Stock) of any of the Issuers, (4) Restricted Payments that are permitted by Section 4.7 (5) fees and compensation paid to members of the Boards of Directors of the Issuers and their Restricted Subsidiaries or Avalon in their capacity as such, to the extent such fees and compensation are reasonable and customary, (6) advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business, (7) fees and compensation paid to, and indemnity provided on behalf of, officers, directors or employees of the Issuers or any of their Restricted Subsidiaries or Avalon, as determined by the Board of Directors of such Person, to the extent such fees and compensation are reasonable and customary, (8) all transactions associated with the Reorganization and the Mercom Acquisition, (9) the Mercom Intercompany Loan, the ABRY Management Agreement and the Mercom Management Agreement and (10) Indebtedness permitted under this Indenture.

SECTION 4.12 LIENS.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (other than Permitted Liens) of any kind securing Indebtedness, Attributable Debt, or trade payables upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Senior Discount Notes are secured on an equal and ratable basis with

the obligations so secured until such time as such obligations are no longer secured by a Lien; provided that, with respect to any Indebtedness which by its terms is subordinate to the Senior Discount Notes, any Lien securing such Indebtedness shall be subordinate to the Liens securing the Senior Discount Notes and all payments due under the Indenture and the Senior Discount Notes.

SECTION 4.13 BUSINESS ACTIVITIES.

The Issuers shall not, and shall not permit any Restricted Subsidiary to, engage in any line of business other than Permitted Businesses, except to such extent as would not be material to the Issuers and their Restricted Subsidiaries taken as a whole, and Finance Holdings shall not own any operating assets or other properties or conduct any business other than to serve as an Issuer and obligor on the Senior Discount Notes.

SECTION 4.14 CORPORATE EXISTENCE.

Subject to Article 5 hereof, the Issuers shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) their limited liability company or corporate existence, and the corporate, partnership, limited liability company or other existence of each of their Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Issuers or any such Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Issuers and their Subsidiaries; provided, however, that the Issuers shall not be required to preserve any such right, license or franchise, or the corporate, partnership, limited liability company or other existence of any of their Subsidiaries or of the Issuers holding less than substantially all of the assets of the Issuers on a combined basis, if the Board of Directors shall determine that the loss thereof is not adverse in any material respect to the conduct of the business of the Issuers and their Subsidiaries taken as a whole or to the Holders.

SECTION 4.15 OFFER TO REPURCHASE UPON CHANGE OF CONTROL.

(a) Upon the occurrence of a Change of Control, each Holder of Senior Discount Notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Senior Discount Notes pursuant to a Change of Control Offer (as defined below) at an offer price in cash equal to 101% of the aggregate principal amount at maturity thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (or, in the case of repurchases of Senior Discount Notes prior to the Full Accretion Date, at a purchase price equal to 101% of the Accreted Value thereof as of the date of purchase) (collectively, the "Change of Control Payment"). Within 20 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offer (a "Change of Control Offer") to repurchase Senior Discount Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures

required by this Indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Senior Discount Notes as a result of a Change of Control.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful, (1) accept for payment all Senior Discount Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Discount Notes or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the Senior Discount Notes so accepted together with an Officers' Certificate stating the aggregate principal amount at maturity of Senior Discount Notes or portions thereof being purchased by the Issuers. The Paying Agent will promptly mail to each Holder of Senior Discount Notes so tendered the Change of Control Payment for such Senior Discount Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Senior Discount Note equal in principal amount to any unpurchased portion of the Senior Discount Notes surrendered, if any; provided that each such new Senior Discount Note will be in a principal amount of $1,000 or an integral multiple thereof. Prior to complying with the provisions of this covenant, but in any event within 90 days following a Change of Control, the Issuers will either repay all outstanding Senior Indebtedness or obtain the requisite consents, if any, under all agreements governing outstanding Senior Indebtedness to permit the repurchase of Senior Discount Notes required by this covenant. The Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) The Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Issuers and purchases all Senior Discount Notes validly tendered and not withdrawn under such Change of Control Offer.

(d) The Change of Control provisions described above will be applicable whether or not any other provisions of this Indenture are applicable.

SECTION 4.16 [INTENTIONALLY OMITTED].

SECTION 4.17 GUARANTEES BY RESTRICTED SUBSIDIARIES.

The Issuers will not permit any of their Restricted Subsidiaries, directly or indirectly, to Guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuers (other than as part of the Reorganization) unless: (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for a Senior Discount Note Guarantee of payment of the Senior Discount Notes by such Restricted Subsidiary, and (ii) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation

or any other rights against the Issuers or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Senior Discount Note Guarantee until the Senior Discount Notes have been paid in full.

SECTION 4.18 PAYMENTS FOR CONSENT.

Neither the Issuers nor any of their Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Senior Discount Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Senior Discount Notes unless such consideration is offered to be paid or is paid to all Holders of the Senior Discount Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

SECTION 4.19 SALE AND LEASEBACK TRANSACTIONS.

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that the Issuers or any of their Restricted Subsidiaries may enter into a sale and leaseback transaction if (i) such Issuer or Restricted Subsidiary could have incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction pursuant to the test set forth in the first paragraph of Section 4.9, (ii) the gross cash proceeds of such sale and leaseback transaction are at least equal to the fair market value (as determined in good faith by the Board of Directors of such Issuer or Restricted Subsidiary, whose determination shall be conclusive, and set forth in an Officers' Certificate delivered to the Trustee) of the property that is the subject of such sale and leaseback transaction and (iii) the transfer of assets in such sale and leaseback transaction is permitted by, and such Issuer or Restricted Subsidiary applies the proceeds of such transaction in compliance with, Section 4.10.

SECTION 4.20 SALE OR ISSUANCE OF CAPITAL STOCK OF RESTRICTED SUBSIDIARIES.

Other than pursuant to the Reorganization, the Issuers (i) will not, and will not permit any of their Restricted Subsidiaries to, transfer, convey, sell, lease or otherwise dispose of any Equity Interests in any such Restricted Subsidiary to any Person (other than an Issuer or a Restricted Subsidiary of an Issuer), unless (a)(1) such transfer, conveyance, sale, lease or other disposition is of all the Equity Interests in such Restricted Subsidiary or (2) after giving effect thereto, such Restricted Subsidiary will still constitute a Restricted Subsidiary and (b) the Net Cash Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with Section 4.10, and (ii) will not permit any of their Restricted Subsidiaries to issue any of its Equity Interests (other than, if necessary, shares of its Capital Stock constituting directors' qualifying shares) to any Person other than to such Issuer or a Wholly Owned Restricted Subsidiary of such Issuer if, after giving effect thereto, such Restricted Subsidiary will not be a direct or indirect Subsidiary of an Issuer.

ARTICLE 5.
SUCCESSORS

SECTION 5.1 MERGER, CONSOLIDATION, OR SALE OF ASSETS.

The Issuer or Issuers holding all or substantially all of the assets of the Issuers on a combined basis will not, directly or indirectly, consolidate or merge with or into (whether or not such Issuer is the surviving corporation), or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuers on a combined basis in one or more related transactions, to another Person unless (i) such Issuer is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made is a Person organized or existing under the laws of the United States, any state thereof or the District of Columbia; provided that the Issuers agree that so long as the Senior Discount Notes are outstanding at least one of the Issuers shall be a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Person formed by or surviving any such consolidation or merger (if other than such Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all the obligations of such Issuer under the Senior Discount Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately before and after such transaction no Default or Event of Default shall have occurred; and (iv) except in the case of a merger of such Issuer with or into a Restricted Subsidiary of such Issuer, the Issuer or the Person formed by or surviving any such consolidation or merger (if other than such Issuer), or to which such sale, assignment, transfer, conveyance or other disposition shall have been made, together with the surviving Issuers, will, immediately before and after such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable quarter, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of Section 4.9. None of the Issuers may, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

Notwithstanding the foregoing, (a) any or all of the Issuers may merge or consolidate with or transfer substantially all of its assets to an Affiliate that has no significant assets or liabilities and was formed solely for the purpose of changing the jurisdiction of organization of such Issuer or the form of organization of such Issuer, provided that the amount of Indebtedness of such Issuer and its Restricted Subsidiaries is not increased thereby and provided, further, that the successor assumes all obligations of such Issuer under the Indenture and the Registration Rights Agreement and (b) nothing in this Section 5.1 shall be deemed to prevent the consummation of the Reorganization.

SECTION 5.2 SUCCESSOR CORPORATION OR GUARANTORS SUBSTITUTED.

(a) Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuers in accordance with this covenant, the successor corporation formed by such consolidation or into or with which an Issuer or Issuers are merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for and may exercise every right and power of such Issuer or Issuers under this Indenture with the same effect as if such successor Person had been named as such Issuer or Issuers therein (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of the Indenture referring to the "Issuers" shall refer instead to the successor corporation and not to such Issuer or Issuers), and may exercise every right and power of such Issuer or Issuers under this Indenture with the same effect as if such successor Person had been named as such Issuer or Issuers therein; provided, however, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of and interest on the Senior Discount Notes except in the case of a sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Issuers on a combined basis that meets the requirements of this Article 5.

(b) Each Guarantor which is a Restricted Subsidiary, if any, shall not, and the Issuers will not permit a Guarantor which is a Restricted Subsidiary to, consolidate or merge with or into or wind up into (whether or not such Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person unless (i) such Guarantor is the surviving corporation or the Person formed by or surviving any such consultation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (such Guarantor or such Person, as the case may be, being herein called the "Successor Guarantor"); (ii) the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under this Indenture and such Guarantor's Senior Discount Note Guarantee pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee; and (iii) if such merger or consolidation is with a Person other than the Issuers or a Restricted Subsidiary, (x) immediately after such transaction no Default or Event of Default shall have occurred and be continuing any (y) the Issuers will, at the time of such transaction after giving pro forma effect thereto, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the first paragraph of Section 4.9 hereof. The Successor Guarantor will succeed to, and be substituted for, such Guarantor under this Indenture and such Guarantor's Senior Discount Note Guarantee.

ARTICLE 6.
EVENTS OF DEFAULT

SECTION 6.1 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(a) the Issuers default in the payment when due of interest on, or Liquidated Damages, if any, with respect to, the Senior Discount Notes and such default continues for a period of 30 days;

(b) the Issuers default in the payment when due of the Accreted Value of or the principal of or premium, if any, on the Senior Discount Notes;

(c) the Issuers or any of their Restricted Subsidiaries fail to comply with any of the provisions of Sections 4.7, 4.9 or 5.1 hereof;

(d) the Issuers or any of their Restricted Subsidiaries fail for 30 days after written notice by the Trustee or the Holders of at least 25% in principal amount at maturity of the then outstanding Senior Discount Notes to comply with the provisions of Sections 4.10 or 4.15;

(e) the Issuers, any of their Restricted Subsidiaries or any Guarantor which is a Restricted Subsidiary, fails to observe or perform any other covenant, representation, warranty or other agreement in this Indenture or the Senior Discount Notes for 60 days after written notice to the Issuers by the Trustee or the Holders of at least 25% in aggregate principal amount at maturity of the Senior Discount Notes then outstanding;

(f) the Issuers or any of their Restricted Subsidiaries default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by any of the Issuers or any of their Restricted Subsidiaries (or the payment of which is guaranteed by any of the Issuers or any of their Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates without duplication $5.0 million or more;

(g) the Issuers or any of its Subsidiaries fail to pay a final judgment or final judgments for the payment of money which are entered by a court or courts of competent jurisdiction against the Issuers or any of their Subsidiaries and such judgment or judgments remain undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such undischarged judgments (without duplication) exceeds $5.0 million (excluding amounts covered by insurance); and

(h) the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(i) commence a voluntary case,

(ii) consent to the entry of an order for relief against them in an involuntary case,

(iii) consent to the appointment of a custodian of them or for all or substantially all of their property,

(iv) make a general assignment for the benefit of their creditors, or

(v) generally are not paying their debts as they become due; or

(i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(ii) appoints a custodian of the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; or

(iii) orders the liquidation of the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.

SECTION 6.2 ACCELERATION.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at maturity of the then outstanding Senior Discount Notes may declare all the Senior Discount Notes to be due and payable immediately; provided that so long as any Indebtedness permitted to be incurred pursuant to the Senior Credit Facility shall be outstanding, such acceleration shall not be effective until the earlier of (i) an acceleration of such Indebtedness under the Senior Credit Facility and (ii) five business days after receipt by the Issuers of written notice of such acceleration of the Senior Discount Notes. Notwithstanding the foregoing, in the case of an Event of Default arising from Section 6.1(h) or 6.1(i), with respect to any of the Issuers or any of their Restricted Subsidiaries, all outstanding Senior Discount Notes will become due and payable without further action or notice. Holders of the Senior Discount Notes may not enforce the Indenture or the Senior Discount Notes except as provided in the Indenture. Subject to certain limitations within this Indenture or the TIA, Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Senior Discount Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

SECTION 6.3 OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, interest and Liquidated Damages, if any, on the Senior Discount Notes or to enforce the performance of any provision of the Senior Discount Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Senior Discount Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Senior Discount Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.4 WAIVER OF PAST DEFAULTS.

The Holders of a majority in aggregate principal amount at maturity of the Senior Discount Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Senior Discount Notes waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of interest on, or the Accreted Value or principal of, the Senior Discount Notes.

SECTION 6.5 CONTROL BY MAJORITY.

Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that may be unduly prejudicial to the rights of other Holders of Senior Discount Notes or that may involve the Trustee in personal liability. The Trustee may take any other action consistent with this Indenture relating to any such direction.

SECTION 6.6 LIMITATION ON SUITS.

A Holder of a Senior Discount Note may pursue a remedy with respect to this Indenture or the Senior Discount Notes only if:

(a) the Holder of a Senior Discount Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount at maturity of the then outstanding Senior Discount Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Senior Discount Note or Holders of Senior Discount Notes offer and, if requested, provide to the Trustee security and indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of security and indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Senior Discount Note may not use this Indenture to prejudice the rights of another Holder of a Senior Discount Notes or to obtain a preference or priority over another Holder of a Senior Discount Notes.

SECTION 6.7 RIGHTS OF HOLDERS OF SENIOR DISCOUNT NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Senior Discount Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Senior Discount Note, on or after the respective due dates expressed in the Senior Discount Notes (including in connection with an offer to purchase), or to bring suit for the

enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.1(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuers for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on the Senior Discount Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.9 TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Senior Discount Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Senior Discount Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under or in connection with this Indenture. To the extent that the payment of any such compensation, fees, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under or in connection with this Indenture out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a perfected, first priority Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise, and such Lien in favor of a predecessor Trustee shall be senior to the Lien in favor of the current Trustee. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Senior Discount Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.1 PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee (including any predecessor Trustee), its agents and attorneys for amounts due under Section 7.7 hereof, including payment of all compensation, fees, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Senior Discount Notes for amounts due and unpaid on the Senior Discount Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Senior Discount Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

Third: to the Issuers.

The Trustee may fix a record date and payment date for any payment to Holders of Senior Discount Notes pursuant to this Section 6.10.

SECTION 6.11 FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Senior Discount Notes pursuant to Section 6.7 hereof, or a suit by Holders of more than 10% in principal amount at maturity of the then outstanding Senior Discount Notes.

ARTICLE 7.
TRUSTEE

SECTION 7.1 DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied

covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct or bad faith, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c), (e) and (f) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request or direction of any Holders, unless such Holder shall have provided to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.2 RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney at the sole expense

of the Issuers and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(b) Before the Trustee acts or refrains from acting, it shall be entitled to receive an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence or bad faith of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuers shall be sufficient if signed by an Officer of each of the Issuers.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have provided to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) No permissive right of the Trustee to act hereunder shall be construed as a duty.

(h) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of willful misconduct or bad faith on its part, conclusively rely upon an Officers' Certificate, an Opinion of Counsel, or both.

(i) Except with respect to Section 4.1 hereof, the Trustee shall have no duty to inquire as to the performance of the Issuers' covenants in Article 4 hereof. In addition, the Trustee shall not be deemed to have knowledge (including actual knowledge) of any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 6.1(a) and 6.1(b) hereof or (ii) any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

(j) The Trustee shall not be deemed to have notice or knowledge (including actual knowledge) of any matter unless a Responsible Officer has actual knowledge thereof or unless written notice thereof is actually received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee and such notice references the Senior Discount Notes generally, the Issuers or this Indenture.

SECTION 7.3 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Senior Discount Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.4 TRUSTEES DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Senior Discount Notes, the Registration Rights Agreement or the Offering Memorandum; it shall not be accountable for the Issuers' use of the proceeds from the Senior Discount Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture; it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Senior Discount Notes or any other document in connection with the sale of the Senior Discount Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.5 NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if the Trustee receives written notice thereof, the Trustee shall (at the expense of the Issuers) mail to Holders of Senior Discount Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, Liquidated Damages, if any, or interest on any Senior Discount Notes, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Senior Discount Notes.

SECTION 7.6 REPORTS BY TRUSTEE TO HOLDERS OF THE SENIOR SUBORDINATED NOTES.

Within 60 days after each November 15 beginning with the November 15 following the date of this Indenture, and for so long as Senior Discount Notes remain outstanding, the Trustee shall (at the expense of the Issuers) mail to the Holders of the Senior Discount Notes a brief report dated as of such reporting date that complies with TIA (S) 313(a)

(but if no event described in TIA (S) 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA (S) 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA (S) 313(c).

A copy of each report at the time of its mailing to the Holders of Senior Discount Notes shall be mailed to the Issuers and filed with the SEC and each stock exchange on which the Senior Discount Notes are listed in accordance with TIA (S) 313(d). The Issuers shall promptly notify the Trustee when the Senior Discount Notes are listed on any stock exchange or delisted therefrom.

SECTION 7.7 COMPENSATION AND INDEMNITY.

The Issuers jointly and severally agree to pay to the Trustee from time to time such compensation as agreed upon in writing by the Trustee and the Issuers, and, in the absence of any such agreement, reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuers shall reimburse the Trustee promptly upon request for all disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the compensation, disbursements and expenses of the Trustee's agents and counsel.

The Issuers shall fully indemnify the Trustee against any and all losses, liabilities, claims, damages or expenses (including taxes other than taxes based on the income of the Trustee) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.7) and defending itself against any claim (whether asserted by the Issuers, the Guarantors or any Holder or any other person) or liability in connection with, relating to, or arising out of (i) the exercise or performance of any of its powers or duties hereunder, or in connection herewith, and (ii) the validity, invalidity, adequacy or inadequacy of this Indenture, the Senior Discount Note Guarantees, the Senior Discount Notes, the Registration Rights Agreement and the Offering Memorandum, except to the extent any such loss, liability, claim, damage or expense may be attributable to its negligence, willful misconduct or bad faith. The Trustee shall notify the Issuers promptly of any claim for which it intends to seek indemnity. Failure by the Trustee to so notify the Issuers shall not relieve the Issuers and the Guarantors of their obligations hereunder. The Issuers shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuers shall pay the fees and expenses of such counsel. The Issuers need not pay for any settlement made without their consent, which consent shall not be unreasonably withheld.

The obligations of the Issuers to the Trustee under this Indenture shall survive the satisfaction and discharge of this Indenture and shall be secured by a Lien as provided in Section 6.9 hereof.

To secure the Issuers' payment obligations in this Section, the Trustee shall have a Lien prior to the Senior Discount Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Senior Discount Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(g) or (h) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA (S) 313(b)(2) to the extent applicable.

SECTION 7.8 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of Senior Discount Notes of a majority in principal amount at maturity of the then outstanding Senior Discount Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may by a board resolution remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers, or the Holders of Senior Discount Notes of at least 10% in principal amount at maturity of the then outstanding Senior Discount

Notes may petition, at the expense of the Issuers, any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after receiving a written request by any Holder of a Senior Discount Notes who has been a bona fide Holder of a Senior Discount Notes for at least six months, fails to comply with Section 7.10, such Holder of a Senior Discount Notes may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Senior Discount Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee (and its agents and counsel) hereunder have been paid and subject to the Lien provided for in Section 7.7 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Issuers' obligations under Section 7.7 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.9 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee or any Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee or Agent, as the case may be.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that together with its direct parent, if any, or in the case of a corporation included in a bank holding company system, its related bank holding company, has a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA (S) 310(a)(1), (2) and (5). The Trustee is subject to TIA (S) 310(b).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA (S) 311(a), excluding any creditor relationship listed in TIA (S) 311(b). A Trustee who has resigned or been removed shall be subject to TIA (S) 311(a) to the extent indicated therein.

SECTION 7.12 OTHER CAPACITIES.

All references in this Indenture to the Trustee shall be deemed to refer to the Trustee in its capacity as Trustee and in its capacities as any Agent, to the extent acting in such capacities, and every provision of this Indenture relating to the conduct or affecting the liability or offering protection, immunity or indemnity to the Trustee shall be deemed to apply with the same force and effect to the Trustee acting in its capacities as any Agent.

SECTION 7.13 TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE ISSUER.

Any application by the Trustee for written instructions from the Issuers may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer of the Issuers actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 8.
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.1 OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Issuers may, at their option and at any time, elect to have either Section 8.2 or 8.3 hereof be applied to all outstanding Senior Discount Notes and the Senior Discount Note Guarantees, if any, upon compliance with the conditions set forth below in this Article 8.

SECTION 8.2 LEGAL DEFEASANCE AND DISCHARGE.

Upon the Issuers' exercise under Section 8.1 hereof of the option applicable to this Section 8.2, the Issuers shall, subject to the satisfaction of the conditions set forth in Section 8.4 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Senior Discount Notes and to have each Guarantor's obligations discharged with respect to its Senior Discount Note Guarantee on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Issuers shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Senior Discount Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.5 hereof and the other sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Senior Discount Notes and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute

proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Senior Discount Notes to receive solely from the trust fund described in Section 8.4 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest and Liquidated Damages, if any, on such Senior Discount Notes when such payments are due, (b) the Issuers' obligations with respect to such Senior Discount Notes under Article 2 and Section 4.2 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee and any Agent hereunder and the Issuers' and any Guarantors' obligations in connection therewith, including, without limitation, Article 7 and Section 8.5 and 8.7 hereunder, and (d) this Article 8. Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.2 notwithstanding the prior exercise of its option under Section 8.3 hereof.

SECTION 8.3 COVENANT DEFEASANCE.

Upon the Issuers' exercise under Section 8.1 hereof of the option applicable to this Section 8.3, the Issuers and each Guarantor shall, subject to the satisfaction of the conditions set forth in Section 8.4 hereof, be released from its obligations under the covenants contained in Sections 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.17, 4.18, 4.19, 4.20, and 5.1 hereof with respect to the outstanding Senior Discount Notes on and after the date the conditions set forth in Section 8.4 are satisfied (hereinafter, "Covenant Defeasance"), and the Senior Discount Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Senior Discount Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Senior Discount Notes, the Issuers may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1 hereof, but, except as specified above, the remainder of this Indenture and such Senior Discount Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.1 hereof of the option applicable to this Section 8.3 hereof, subject to the satisfaction of the conditions set forth in Section 8.4 hereof, Sections 6.1(c) through 6.1(f) hereof shall not constitute Events of Default.

SECTION 8.4 CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

The following shall be the conditions to the application of either Section 8.2 or 8.3 hereof to the outstanding Senior Discount Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest and Liquidated Damages, if any, on the outstanding Senior Discount Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuers must specify whether the Senior Discount Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of an election under Section 8.2 hereof, the Issuers shall have delivered to the Trustee an Opinion of Counsel in the United States confirming that (A) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Senior Discount Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.3 hereof, the Issuers shall have delivered to the Trustee an Opinion of Counsel in the United States confirming that the Holders of the outstanding Senior Discount Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Sections 6.1(h) or 6.1(i) hereof are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which any of the Issuers or any of their Subsidiaries is a party or by which any of the Issuers or any of their Restricted Subsidiaries is bound;

(f) the Issuers must have delivered to the Trustee an Opinion of Counsel (subject to customary qualifications and assumptions) to the effect that on the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Issuers must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Senior

Discount Notes over the other creditors of the Issuers or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuers or others;

(h) the Issuers must have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(i) the Trustee shall have received such other documents, assurances and Opinion of Counsel as are necessary.

SECTION 8.5 DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.6 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.5, the "Trustee") pursuant to Section 8.4 hereof in respect of the outstanding Senior Discount Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Senior Discount Notes and this Indenture, to the payment, either directly or through any Paying Agent (including an Issuer acting as Paying Agent), to the Holders of such Senior Discount Notes of all sums due and to become due thereon in respect of principal, premium, if any, Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuers jointly and severally agree to pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.4 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Senior Discount Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.4 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.4(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.6 REPAYMENT TO ISSUERS.

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium, if any, Liquidated Damages, if any, or interest on any Senior Discount Notes and remaining unclaimed for two years after such principal, and premium, if any, Liquidated Damages, if any, or interest has become due and

payable shall be paid to the Issuers on their request or (if then held by the Issuers) shall be discharged from such trust; and the Holder of such Senior Discount Notes shall thereafter, as a secured creditor, look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

SECTION 8.7 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or noncallable Government Securities in accordance with Section 8.2 or 8.3 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' obligations under this Indenture and the Senior Discount Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.2 or 8.3 hereof until such time as the Trustee or Paying Agent is permitted by such court or governmental authority to apply all such money in accordance with Section 8.2 or 8.3 hereof, as the case may be; provided, however, that, if the Issuers make any payment of principal of, premium, if any, Liquidated Damages, if any, or interest on any Senior Discount Notes following the reinstatement of their obligations, the Issuers shall be subrogated to the rights of the Holders of such Senior Discount Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9.
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.1 WITHOUT CONSENT OF HOLDERS OF SENIOR DISCOUNT NOTES.

Notwithstanding Section 9.2 of this Indenture, the Issuers, any Guarantors and the Trustee may amend or supplement this Indenture, any Senior Discount Note Guarantees or the Senior Discount Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, omission, defect or inconsistency;

(b) to provide for uncertificated Senior Discount Notes in addition to or in place of certificated Senior Discount Notes or to alter the provisions of Article 2 hereof (including the related definitions) in a manner that does not materially adversely affect any Holder;

(c) to provide for the assumption of the Issuers' obligations to the Holders of the Senior Discount Notes by a successor to the Issuers pursuant to Article 5 hereof or in the Reorganization;

(d) to add additional guarantees with respect to the Senior Discount Notes, including any Senior Discount Note Guarantees;

(e) to make any change that would provide any additional rights or benefits to the Holders of the Senior Discount Notes or that does not adversely affect the legal rights hereunder of any Holder of the Senior Discount Notes; or

(f) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Issuers accompanied by a resolution of their respective Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.2 hereof, the Trustee shall join with the Issuers in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.2 WITH CONSENT OF HOLDERS OF SENIOR DISCOUNT NOTES.

Except as provided below in this Section 9.2, the Issuers and the Trustee may amend or supplement this Indenture (including Sections 3.9, 4.10 and 4.15 hereof) and the Senior Discount Notes and any Senior Discount Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in principal amount at maturity of the Senior Discount Notes then outstanding voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Senior Discount Notes), and, subject to Sections 6.4 and 6.7 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, Liquidated Damages, if any, or interest on the Senior Discount Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Senior Discount Notes or any Senior Discount Note Guarantees may be waived with the consent of the Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Senior Discount Notes). Section 2.8 hereof shall determine which Senior Discount Notes are considered to be "outstanding" for purposes of this Section 9.2.

Upon the request of the Issuers accompanied by a resolution of their respective Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Senior Discount Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.2 hereof, the Trustee shall join with the Issuers in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

It shall not be necessary for the consent of the Holders of Senior Discount Notes under this Section 9.2 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Issuers shall mail to the Holders of Senior Discount Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.4 and 6.7 hereof, the Holders of a majority in aggregate principal amount at maturity of the Senior Discount Notes then outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture or the Senior Discount Notes. However, without the consent of each Holder affected, an amendment or waiver under this Section 9.2 may not (with respect to any Senior Discount Notes held by a non-consenting Holder):

(a) reduce the principal amount of Senior Discount Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the Accreted Value or principal of or change the fixed maturity of any Senior Discount Note or alter the provisions with respect to the redemption of the Senior Discount Notes except as provided above with respect to Sections 3.9, 4.10 and 4.15 hereof;

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Discount Notes;

(d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest or Liquidated Damages, if any, on the Senior Discount Notes (except a rescission of acceleration of the Senior Discount Notes by the Holders of at least a majority in aggregate principal amount at maturity of the then outstanding Senior Discount Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Senior Discount Notes payable in money other than that stated in the Senior Discount Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Senior Discount Notes to receive payments of principal of or premium, if any, or interest or Liquidated Damages, if any, on the Senior Discount Notes;

(g) waive a redemption payment with respect to any Senior Discount Notes (other than a payment required by one of the covenants described in Sections 4.10 and 4.15); or

(h) make any change in the foregoing amendment and waiver provisions.

SECTION 9.3 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Senior Discount Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.4 REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Senior Discount Notes is a continuing consent by the Holder of a Senior Discount Notes and every subsequent Holder of a Senior Discount Notes or portion of a Senior Discount Notes that evidences the same debt as the consenting Holder's Senior Discount Notes, even if notation of the consent is not made on any Senior Discount Notes. However, any such Holder of a Senior Discount Notes or subsequent Holder of a Senior Discount Notes may revoke the consent as to its Senior Discount Notes if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.5 NOTATION ON OR EXCHANGE OF SENIOR DISCOUNT NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Senior Discount Notes thereafter authenticated. The Issuers in exchange for all Senior Discount Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Senior Discount Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Senior Discount Notes shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.6 TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article Nine if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers may not sign an amendment or

supplemental Indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.1 hereof) shall be fully protected in relying upon, in addition to the documents required by Section 11.4 hereof, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10.
GUARANTEE

SECTION 10.1 UNCONDITIONAL GUARANTEE.

Any Guarantor will unconditionally, jointly and severally, guarantee to each Holder of a Senior Discount Notes authenticated by the Trustee and to the Trustee and its successors and assigns that: the principal of, interest and Liquidated Damages, if any, on the Senior Discount Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise, and interest on the overdue principal and interest on any overdue interest on the Senior Discount Notes and all other obligations of the Issuers to the Holders or the Trustee hereunder or under the Senior Discount Notes will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; subject, however, to the limitations set forth in Section 10.3. Any Guarantor will agree that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Senior Discount Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Senior Discount Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Any Guarantor will waive diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of an Issuer, any right to require a proceeding first against an Issuer, protest, notice and all demands whatsoever and covenants that each Senior Discount Note Guarantee, as the case may be, will not be discharged except by complete performance of the obligations contained in the Senior Discount Notes and this Indenture. If any Holder or the Trustee is required by any court or otherwise to return to an Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to an Issuer or any Guarantor, any amount paid by an Issuer or any Guarantor to the Trustee or such Holder, each Senior Discount Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Any Guarantor will agree that, as between any Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 for the purpose of each Senior Discount Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in Article 6, such obligations (whether or not due and payable) shall become due and payable by any Guarantor for the purpose of each Senior Discount Note Guarantee.

SECTION 10.2 SEVERABILITY.

In case any provision of this Article 10 shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.3 LIMITATION OF GUARANTOR'S LIABILITY.

Each Guarantor, and by its acceptance hereof each Holder and the Trustee, hereby confirms that it is the intention of all such parties that each Senior Discount Note Guarantee not constitute a fraudulent transfer or conveyance for purposes of Title 11 of the United States Code, as amended, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar U.S. Federal or state or other applicable law. To effectuate the foregoing intention, the Holders and each Guarantor hereby irrevocably agree that the obligations of each Guarantor under each Senior Discount Note Guarantee shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor pursuant to Section 10.4, result in the obligations of such Guarantor not constituting such a fraudulent transfer or conveyance.

SECTION 10.4 CONTRIBUTION.

In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under a Senior Discount Note Guarantee, as the case may be, such Funding Guarantor shall be entitled to a contribution from all other Guarantors (if any) in a pro rata amount, based on the net assets of each Guarantor (including the Funding Guarantor), determined in accordance with GAAP, subject to Section 10.3, for all payments, damages and expenses incurred by such Funding Guarantor in discharging the Issuers' obligations with respect to the Senior Discount Notes or any other Guarantor's obligations under a Senior Discount Note Guarantee, as the case may be.

SECTION 10.5 SUBORDINATION OF SUBROGATION AND OTHER RIGHTS.

Each Guarantor hereby agrees that any claim against an Issuer that arises from the payment, performance or enforcement of such Guarantor's obligations under a Senior Discount Note Guarantee or this Indenture, including, without limitation, any right of subrogation, shall be subject and subordinate to, and no payment with respect to any such claim of such Guarantor shall be made before, the payment in full in cash of all outstanding Senior Discount Notes in accordance with the provisions provided therefor in this Indenture.

ARTICLE 11.
MISCELLANEOUS

SECTION 11.1 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA (S) 318(c), the imposed duties shall control.

SECTION 11.2 NOTICES.

Any notice or communication by the Issuers, the Guarantors or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address.

If to the Issuers and/or any Guarantor:

Avalon Cable of Michigan Holdings, Inc.
Avalon Cable of New England, LLC
Avalon Cable Holdings Finance, Inc.
800 Third Avenue, Suite 3100
New York, New York 10022
Attn: President

ABRY Partners, Inc.
18 Newbury Street
Boston, MA 02166
Attn: Jay Grossman

If to the Trustee:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, New York 10286
Telecopier No.: (212) 815-5915
Attn: Corporate Trust Administration

The Issuers, the Guarantors or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five

Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA (S) 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it, except for notices or communications to the Trustee, which shall be effective only upon actual receipt thereof.

If the Issuers mail a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 11.3 COMMUNICATION BY HOLDERS OF SENIOR SUBORDINATED NOTES WITH OTHER HOLDERS OF SENIOR DISCOUNT NOTES.

Holders may communicate pursuant to TIA (S) 312(b) with other Holders with respect to their rights under this Indenture or the Senior Discount Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA (S) 312(c).

SECTION 11.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(a) an Officers' Certificate (which shall include the statements set forth in Section 11.5 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel (which shall include the statements set forth in Section 11.5 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 11.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA (S) 314(a)(4)) shall comply with the provisions of TIA (S) 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 11.6 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.7 NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No director, officer, employee, incorporator, member, manager or stockholder of any Person who is or was an Issuer or Parent Guarantor, as such, shall have any liability for any obligations under the Senior Discount Notes, the Senior Discount Note Guarantees, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Discount Notes by accepting a Senior Discount Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Discount Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

SECTION 11.8 GOVERNING LAW.

THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE, THE SENIOR DISCOUNT NOTES AND ANY SENIOR DISCOUNT NOTE GUARANTEES.

SECTION 11.9 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuers or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.10 SUCCESSORS.

All agreements of the Issuers in this Indenture and the Senior Discount Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.11 SEVERABILITY.

In case any provision in this Indenture or in the Senior Discount Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.12 COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.13 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of December 10, 1998

AVALON CABLE OF MICHIGAN
HOLDINGS, INC.

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President, Chief Executive
Officer and Secretary

AVALON CABLE OF NEW ENGLAND, LLC

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President, Chief Executive
Officer and Secretary

AVALON CABLE HOLDINGS FINANCE, INC.

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President, Chief Executive
Officer and Secretary

THE BANK OF NEW YORK

By: /s/ Mary La Gumina

Name: Mary La Gumina
Title: Assistant Vice President

EXHIBIT A

(Face of Note)

[Insert the Regulation S Temporary Global Note Legend, if applicable pursuant to the provisions of the Indenture]
[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]
[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]
[Insert the Original Issue Discount Legend pursuant to the provisions of the Indenture]

11 7/8% Senior Discount Notes due 2008

CUSIP/CINS_____

No._____ $_____

AVALON CABLE OF MICHIGAN HOLDINGS, INC.
AVALON CABLE LLC
AVALON CABLE HOLDINGS FINANCE, INC.

promises to pay to _____
or registered assigns,
the principal sum of_____
Dollars on December 1, 2008.
Interest Payment Dates: June 1 and December 1
Record Dates: May 15 and November 15

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

AVALON CABLE LLC

By:_____
Name:
Title:

By:_____
Name:
Title:

AVALON CABLE HOLDINGS FINANCE, INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

This is one of the Notes
referred to in the
within-mentioned Indenture:

THE BANK OF NEW YORK,

By:_____
Name:
Title:

Dated:

(Back of Note)

11 7/8% Senior Discount Notes due 2008

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. Avalon Cable of Michigan Holdings, Inc. a Delaware corporation, Avalon Cable LLC, a Delaware limited liability company, and Avalon Cable Holdings Finance, Inc., a Delaware corporation (collectively the "Issuers") promise to pay interest on the principal amount of this Senior Discount Note at 11 7/8% per annum as described below and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. Until December 1, 2003, interest will not be paid currently on the Senior Discount Notes, but the Accreted Value 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 (the "Full Accretion Date"). Beginning on the Full Accretion Date, interest on the Senior Discount Notes will accrue at the rate of 11 7/8% per annum and will be payable semi-annually in arrears on June 1 and December 1 of each year, to Holders of record on the immediately preceding May 15 and November 15. The Issuers shall pay interest and Liquidated Damages, if any, semi-annually on June 1 and December 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Senior Discount Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Full Accretion Date; provided that if there is no existing Default in the payment of interest, and if this Senior Discount Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be June 1, 2004. The Issuers shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; they shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. After the Full Accretion Date, the Issuers will pay interest on the Senior Discount Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Senior Discount Notes at the close of business on the May 15 or November 15 next preceding the Interest Payment Date, even if such Senior Discount Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture (as herein defined) with respect to defaulted interest. The Senior Discount Notes will be payable as to principal, premium and Liquidated Damages, if any, and

interest at the office or agency of the Issuers maintained for such purpose within the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that all payments of $1,000 or more principal, premium, if any, interest and Liquidated Damages, if any, with respect to Senior Discount Notes the Holders of which have given wire transfer instructions to the Issuers at least ten business days prior to the applicable payment date will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. 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 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 (the "Accreted Interest Redemption Amount") on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

4. Paying Agent and Registrar. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers, any of their Subsidiaries or any Guarantor may act in any such capacity.

5. Indenture.

The Issuers issued the Senior Discount Notes under an Indenture dated as of December 10, 1998, as amended or supplemented from time to time ("Indenture"), among the Issuers and the Trustee. The terms of the Senior Discount Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code (S)(S) 77aaa-77bbbb). The Senior Discount Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Senior Discount Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Senior Discount Notes are obligations of the Issuers limited to $160.4 million in aggregate principal amount at issuance.

Upon completion of the Reorganization, it is anticipated that (i) the Issuers will be (a) Finance Holdings and (b) Avalon Holdings, (ii) Michigan Holdings will cease to be obligated as an Issuer and (iii) Avalon Cable of Michigan, Inc. ("Avalon Michigan") and Michigan Holdings (collectively with Avalon Michigan, the "Parent Guarantors") will become guarantors of Avalon Holdings' obligations under the Senior Discount Notes.

6. Optional Redemption.

(a) Except as described in subparagraph (b) of this Paragraph 6, the Senior Discount Notes will not be redeemable at the Issuers' option prior to December 1, 2003. Thereafter, the Senior Discount Notes will be subject to redemption at any time at the option of the Issuers, in whole or in part, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest 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	Redemption Price
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
2006 and thereafter....	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time prior to December 1, 2001, the Issuers 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 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; and provided further that each such redemption shall occur within 45 days of the date of the closing of such Equity Offering and/or Strategic Equity Investment.

"Equity Offering" means any public or private sale of Capital Stock of any of the Issuers or Avalon or any Subsidiary of Avalon pursuant to which the Issuers together receive net proceeds of at least $25.0 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 Avalon or any Subsidiary of Avalon, the Net Cash Proceeds thereof shall have been contributed to one or more of the Issuers in the form of an equity contribution.

7. Mandatory Redemption.

Except as set forth in paragraph 3 or 8 of this Senior Discount Note, the Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Senior Discount Notes.

8. Repurchase at the Option of Holders.

(a) Upon the occurrence of a Change of Control, each Holder of Senior Discount Notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Senior Discount Notes pursuant to a Change of Control Offer (as defined below) at an offer price in cash equal to 101% of the aggregate principal amount at maturity thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (or, in the case of repurchases of Senior Discount Notes prior to the Full Accretion Date, at a purchase price equal to 101% of the Accreted Value thereof as of the date of purchase) (collectively, the "Change of Control Payment"). Within 20 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offer (a "Change of Control Offer") to repurchase Senior Discount Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by this Indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Senior Discount Notes as a result of a Change of Control.

(b) When the aggregate amount of Excess Proceeds from Asset Sales by the Issuers and their Restricted Subsidiaries exceeds $10.0 million, to the extent permitted by the Senior Subordinated Note Indenture, the Issuers shall commence an offer to all Holders of Senior Discount Notes and all holders of other pari passu Indebtedness of the Issuers containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.9 of the Indenture to purchase the maximum principal amount of Senior Discount Notes and such other pari passu Indebtedness of the Issuers that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (or, in the case of repurchases of Senior Discount Notes prior to the Full Accretion Date, at a purchase price equal to 100% of the Accreted Value thereof as of the date of purchase), in accordance with the procedures set forth in the Indenture and such other Indebtedness. To the extent that any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuers may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount at maturity or Accreted Value (as applicable) of Senior Discount Notes tendered into such Asset Sale surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Senior Discount Notes to be purchased on a pro rata basis, by lot or other customary method; provided that no Senior Discount Notes of $1,000 or less shall be redeemed in part. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

(c) Holders of Senior Discount Notes that are the subject of a Change of Control Offer or an Asset Sale Offer, as the case may be, may elect to have such Senior Discount Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Senior Discount Notes.

9. Notice of Redemption. Subject to Section 3.9 of the Indenture, notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Senior Discount Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Senior Discount Note is to be redeemed in part only, the notice of redemption that relates to such Senior Discount Note shall state the portion of the principal amount thereof to be redeemed. On and after the redemption date, interest ceases to accrue on Senior Discount Notes or portions of them called for redemption.

10. Denominations, Transfer, Exchange. The Senior Discount Notes are in registered form without coupons in denominations of $1,000 and integral multiples thereof. A Holder may transfer or exchange Senior Discount Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers are not required to transfer or exchange any Senior Discount Notes selected for redemption. Also, the Issuers are not required to transfer or exchange any Senior Discount Notes for a period of 15 business days before a selection of Senior Discount Notes to be redeemed or during the period between a record date and the next succeeding Interest Payment Date.

11. Persons Deemed Owners. The registered Holder of a Senior Discount Note may be treated as its owner for all purposes.

12. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, or the Senior Discount Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount at maturity of the then outstanding Senior Discount Notes voting as a single class, and any existing default or compliance with any provision of the Indenture or the Senior Discount Notes may be waived with the consent of the Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes voting as a single class. Without the consent of any Holder of a Senior Discount Note, the Indenture or the Senior Discount Notes may be amended or supplemented to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Senior Discount Notes in addition to or in place of certificated Senior Discount Notes, to provide for the assumption of the Issuers' obligations to Holders of the Senior Discount Notes in case of a merger, consolidation or sale of assets (including the Reorganization), to add additional guarantees with respect to the Senior Discount Notes, to make any change that would provide any additional rights or benefits to the Holders of the Senior Discount Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

13. Defaults and Remedies.

The Indenture provides that each of the following constitutes an Event of Default: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Senior Discount Notes; (ii) default in payment when due of the Accreted Value of or the

principal of or premium, if any, on the Senior Discount Notes; (iii) failure by any of the Issuers or any of their Restricted Subsidiaries to comply with the covenants contained in Sections 4.7, 4.9 or 5.1; (iv) failure by any of the Issuers or any of their Restricted Subsidiaries for 30 days after notice to comply with the covenants contained in Sections 4.10 or 4.15; (v) failure by any of the Issuers or any of their Restricted Subsidiaries for 60 days after notice to comply with any of its other agreements in the Indenture or the Senior Discount Notes; (vi) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by any of the Issuers or any of their Restricted Subsidiaries (or the payment of which is guaranteed by any of the Issuers or any of their Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates without duplication $5.0 million or more; (vii) failure by any of the Issuers or any of their Restricted Subsidiaries to pay final judgments aggregating in excess of $5.0 million (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days; and (viii) certain events of bankruptcy or insolvency with respect to any of the Issuers or any of their Restricted Subsidiaries that constitute a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at maturity of the then outstanding Senior Discount Notes may declare all the Senior Discount Notes to be due and payable immediately; provided that so long as any Indebtedness permitted to be incurred pursuant to the Senior Credit Facility shall be outstanding, such acceleration shall not be effective until the earlier of (i) an acceleration of such Indebtedness under the Senior Credit Facility and (ii) five business days after receipt by the Issuers of written notice of such acceleration of the Senior Discount Notes. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to any of the Issuers or any of their Restricted Subsidiaries, all outstanding Senior Discount Notes will become due and payable without further action or notice. Holders of the Senior Discount Notes may not enforce the Indenture or the Senior Discount Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount at maturity of the then outstanding Senior Discount Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Senior Discount Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The Holders of a majority in aggregate principal amount at maturity of the Senior Discount Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Senior Discount Notes waive any existing Default or Event of Default and its consequences

under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the Accreted Value or principal of, the Senior Discount Notes.

The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required upon becoming aware of any Default or Event of Default that is continuing, to deliver to the Trustee a statement specifying such Default or Event of Default.

14. Trustee Dealings With Issuers. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

15. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, manager, member or stockholder of any Person who is or was an Issuer or Parent Guarantor, as such, shall have any liability for any obligations of the Issuers under the Senior Discount Notes or the Indenture or any related documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Discount Notes by accepting a Senior Discount Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Discount Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

16. Authentication. This Senior Discount Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. Additional Rights of Holders of Restricted Global Notes and Restricted Definitive Notes. In addition to the rights provided to Holders of Senior Discount Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes shall have all the rights set forth in the Registration Rights Agreement dated as of December 10, 1998, among the Issuers and the parties named on the signature pages thereof or, in the case of Additional Senior Discount Notes, Holders of Restricted Global Notes and Restricted Definitive Notes shall have the rights set forth in one or more registration rights agreements, if any, between the Issuers and the other parties thereto, relating to rights given by the Issuers to the purchasers of any Additional Senior Discount Notes (collectively, the "Registration Rights Agreement").

19. CUSIP Numbers.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Senior

Discount Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Senior Discount Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

In the event that the Issuers shall issue and the Trustee shall authenticate any Additional Senior Discount Notes pursuant to the Indenture, the Issuers shall use their best efforts to obtain the same CUSIP number for such Additional Senior Discount Notes as is printed on the Senior Discount Notes outstanding at such time; provided, however, that if any series of Additional Senior Discount Notes is determined, pursuant to an Opinion of Counsel, to be a different class of security than the Senior Discount Notes outstanding at such time for federal income tax purposes, the Issuers may obtain a CUSIP number for such series of Additional Senior Discount Notes that is different from the CUSIP number printed on the Senior Discount Notes then outstanding.

20. Guarantees. This Senior Discount Note may be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and obligations thereunder of the Guarantors, the Trustee and the Holders.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

Avalon Cable of Michigan Holdings, Inc.
Avalon Cable LLC
Avalon Cable Holdings Finance, Inc.
800 Third Avenue, Suite 3100
New York, New York 10022
Attention: Vice President--Finance

Assignment Form

To assign this Senior Discount Note, fill in the form below: (I) or (we) assign and transfer this Senior Discount Note to

- ---

(Insert assignee's soc. sec. or tax I.D. no.)

- ---

- ---

- ---

(Print or type assignee's name, address and zip code)

and irrevocably appoint_____
to transfer this Senior Discount Note on the books of the Issuers. The agent may substitute another to act for him.

- ---

Date: _____

Your Signature:_____
(Sign exactly as your name appears on the face of this Senior Discount Note)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Option of Holder to Elect Purchase

If you want to elect to have this Senior Discount Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

[_] Section 4.10 [_] Section 4.15

If you want to elect to have only part of the Senior Discount Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date: _____

Your Signature:_____
(Sign exactly as your name appears on the face of this Senior Discount Note)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE/(1)/

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian

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

/(1)/ This should be included only if the Senior Discount Note is issued in global form.

EXHIBIT B
FORM OF CERTIFICATE OF TRANSFER

Avalon Cable of Michigan Holdings, Inc.
Avalon Cable LLC
Avalon Cable Holdings Finance, Inc.
800 Third Avenue, Suite 3100
New York, NY 10022
Attention:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, NY 10286
Attention: Corporate Trust Administration

Re: 11 7/8% Senior Subordinated Senior Discount Notes due 2008

Reference is hereby made to the Indenture, dated as of December 10, 1998 (the "Indenture"), among Avalon Cable of Michigan Holdings, Inc. ("Michigan Holdings"), Avalon Cable LLC ("Avalon Holdings"), Avalon Cable Holdings Finance, Inc. ("Finance Holdings") and The Bank of New York, as trustee. Initially, Michigan Holdings, Avalon Holdings and Finance Holdings or any successor thereto will be the Issuers of the Senior Discount Notes (the "Issuers"); provided that subsequent to the Reorganization, the Issuers shall be Avalon Holdings, as successor to Michigan Holdings, and Finance Holdings or any successor thereto. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Senior Discount Note[s] or interest in such Senior Discount Note[s] specified in Annex A hereto, in the principal amount of $____ in such Senior Discount Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. [_] Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Definitive Note Pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred in a transaction meeting the requirements of Rule 144A to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which

such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

2. [_] Check if Transferee will take delivery of a beneficial interest in the Temporary Regulation S Global Note, the Regulation S Global Note or a Definitive Note pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note, the Temporary Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. [_] Check and complete if Transferee will take delivery of a beneficial interest in the IAI Global Note or a Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) [_] such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) [_] such Transfer is being effected to the Issuers or a subsidiary thereof;

or

(c) [_] such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) [_] such Transfer is being effected to an institutional "accredited investor" and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee and (2) if such Transfer is in respect of a principal amount of Senior Discount Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Definitive Notes and in the Indenture and the Securities Act.

4. [_] Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.

(a) [_] Check if Transfer is Pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) [_] Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain

compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) [_] Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

_____
[Insert Name of Transferor]

By:_____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) [_] a beneficial interest in the:

(i) [_] 144A Global Note (CUSIP _____), or

(ii [_] Regulation S Global Note (CUSIP _____), or

(iii) [_] IAI Global Note (CUSIP _____); or

(b) a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) [_] a beneficial interest in the:

(i) [_] 144A Global Note (CUSIP _____), or

(ii [_] Regulation S Global Note (CUSIP _____), or

(iii) [_] a IAI Global Note (CUSIP _____), or

(iv) [_] Unrestricted Global Note (CUSIP _____); or

(b) [_] a Restricted Definitive Note; or

(c) [_] an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C
FORM OF CERTIFICATE OF EXCHANGE

Avalon Cable of Michigan Holdings, Inc.
Avalon Cable LLC
Avalon Cable Holdings Finance, Inc.
800 Third Avenue, Suite 3100
New York, NY 10022
Attention: Vice President--Finance

The Bank of New York
101 Barclay Street, Floor 21 West
New York, NY 10286
Attention: Corporate Trust Administration

Re: 11 7/8% Senior Subordinated Senior Discount Notes due 2008

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of December __, 1998 (the "Indenture"), among Avalon Cable of Michigan Holdings, Inc. ("Michigan Holdings"), Avalon Cable LLC ("Avalon Holdings"), Avalon Cable Holdings Finance, Inc. ("Finance Holdings") and The Bank of New York, as trustee. Initially, Michigan Holdings, Avalon Holdings and Finance Holdings or any successor thereto will be the Issuers of the Senior Discount Notes (the "Issuers"); provided that subsequent to the Reorganization, the Issuers shall be Avalon Holdings, as successor to Michigan Holdings, and Finance Holdings or any successor thereto. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Senior Discount Note[s] or interest in such Senior Discount Note[s] specified herein, in the principal amount of $_____, for the Senior Discount Note[s] or interests specified herein (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note

(a) [_] Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such

Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) [_] Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) [_] Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) [_] Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes

(a) [_] Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) [_] Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] [_] 144A Global Note, [_] Regulation S Global Note, [_] IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

_____
[Insert Name of Owner]

By:_____
Name:
Title:

Dated:_____

EXHIBIT D
FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of _____, among _____ (the "Guarantor"), a _____ of _____, as issuers under the indenture referred to below, the other Guarantors (as defined in the indenture referred to herein) and The Bank of New York, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of December 10, 1998 providing for the issuance of an aggregate principal amount at issuance of up to $160.4 million of 11 7/8% Senior Discount Notes due 2008 (the "Senior Discount Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guarantor shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guarantor shall unconditionally guarantee all of the Issuers' Obligations under the Senior Discount Notes and the Indenture on the terms and conditions set forth herein (the "Senior Discount Note Guarantee"); and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Senior Discount Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. The Guarantor hereby agrees as follows:

(a) Along with all Guarantors named in the Indenture, to jointly and severally Guarantee to each Holder of a Senior Discount Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Senior Discount Notes or the obligations of the Issuers hereunder or thereunder, that:

(i) the principal of and interest on the Senior Discount Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Senior Discount Notes, if any, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Senior Discount Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately.

(b) The obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Senior Discount Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Senior Discount Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The following is hereby waived: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever.

(d) This Senior Discount Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Senior Discount Notes and the Indenture.

(e) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors, or any custodian, Trustee, liquidator or other similar official acting in relation to either the Issuers or the Guarantors, any amount paid by either to the Trustee or such Holder, this Senior Discount Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(f) The Guarantor shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(g) As between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Senior Discount Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of this Senior Discount Note Guarantee.

(h) Each Guarantor, and by its acceptance hereof each Holder and the Trustee, hereby confirms that it is the intention of all such parties that each Senior Discount Note Guarantee not constitute a fraudulent transfer or conveyance for purposes of Title 11 of the United States Code, as amended, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar U.S. Federal or state or other applicable law. To effectuate the foregoing intention, the Holders and each Guarantor hereby irrevocably agree that the obligations of each Guarantor under each Senior Discount Note Guarantee shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor pursuant to Section 2(i), result in the obligations of such Guarantor not constituting such a fraudulent transfer or conveyance.

(i) In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under a Senior Discount Note Guarantee, as the case may be, such Funding Guarantor shall be entitled to a contribution from all other Guarantors (if any) in a pro rata amount, based on the net assets of each Guarantor (including the Funding Guarantor), determined in accordance with GAAP, subject to Section 2(h), for all payments, damages and expenses incurred by such Funding Guarantor in discharging the Issuers' obligations with respect to the Senior Discount Notes or any other Guarantor's obligations under a Senior Discount Note Guarantee, as the case may be.

(j) This Senior Discount Note Guarantee inures to the benefit of and is enforceable by the Trustee, the Holders and their successors, transferees and assigns.

3. Execution and Delivery. Each Guarantor agrees that the Senior Discount Note Guarantees shall remain in full force and effect notwithstanding any failure to endorse on each Senior Discount Note a notation of such Senior Discount Note Guarantee.

4. Guarantor May Consolidate, Etc. on Certain Terms. Each Guarantor which is a Restricted Subsidiary, if any, shall not, and the Issuers will not permit a Guarantor which is a Restricted Subsidiary to, consolidate or merge with or into or wind up into (whether or not such Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person unless (i) such Guarantor is the surviving corporation or the Person formed by or surviving any such consultation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (such Guarantor or such Person, as the case may be, being herein called the "Successor Guarantor"); (ii) the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under this Indenture and such Guarantor's Senior Discount Note Guarantee pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee; and (iii) if such merger or consolidation is with a Person other than the Issuers or a Restricted Subsidiary, (x) immediately after such transaction no Default or Event of Default shall have occurred and be continuing any (y) the Issuers will, at the time of such transaction after giving pro forma effect thereto, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the first paragraph of Section 4.9 of the Indenture. The Successor Guarantor will succeed to, and be substituted for, such Guarantor under this Indenture, the Registration Rights Agreement and such Guarantor's Senior Discount Note Guarantee.

5. Releases.

(a) In the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all to the capital stock of any Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) will be released and relieved of any obligations under its Senior Discount Note Guarantee; provided that the Net Proceeds of such sale or other disposition in the case of a Restricted Subsidiary are applied in accordance with the applicable provisions of the Indenture, including without limitation Section

4.10 of the Indenture. Upon delivery by the Issuers to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by the Issuers in accordance with the provisions of the Indenture, including without limitation Section 4.10 of the Indenture, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Senior Discount Note Guarantee.

(b) Any Guarantor not released from its obligations under its Senior Discount Note Guarantee shall remain liable for the full amount of principal of and interest on the Senior Discount Notes.

6. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, manager, member or stockholder of any Person who is or was an Issuer or guarantor under the Senior Discount Notes, as such, shall have any liability for any obligations of the Issuers under the Senior Discount Notes or the Indenture or hereunder or any related documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Discount Notes by accepting a Senior Discount Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Discount Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

7. Fees and Expenses. The Guarantor hereby agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under this Senior Discount Note Guarantee.

8. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

9. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

11. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guarantor and the Issuers.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____

[Guarantor]

By:_____
Name:
Title:

THE BANK OF NEW YORK, as
Trustee

By:_____
Name:
Title:

EXHIBIT 4.2

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of March 26, 1999, by and among Avalon Cable LLC, a Delaware limited liability company ("Avalon LLC"), Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings"), Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Avalon Finance"), Avalon Cable of Michigan, Inc., a Pennsylvania corporation ("Avalon Michigan Inc."), and The Bank of New York, a New York banking corporation, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, Avalon LLC, Michigan Holdings and Avalon Finance have heretofore executed and delivered to the Trustee an indenture (the "Indenture") dated as of December 10, 1998 providing for the issuance of an aggregate principal amount at issuance of up to $160.4 million of 11 7/8% Senior Discount Notes due 2008 (the "Senior Discount Notes");

WHEREAS, the Reorganization (as defined in the Indenture) has occurred;

WHEREAS, pursuant to the Reorganization, Avalon Michigan Inc. assumed the obligations of Michigan Holdings under the Indenture and the Senior Discount Notes;

WHEREAS, immediately thereafter and pursuant to the Reorganization, Avalon LLC assumed the liabilities and obligations of Avalon Michigan Inc. under the Indenture and the Senior Discount Notes;

WHEREAS, in connection with the foregoing and as contemplated by the Indenture, Michigan Holdings and Avalon Michigan Inc. shall guarantee the obligations of Avalon LLC under the Indenture and Senior Discount Notes after the Reorganization;

WHEREAS, as a result of a foregoing and as contemplated by the Indenture, the Issuers for purposes of the Indenture are now Avalon LLC and Avalon Finance; and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto mutually covenant and agree for the equal and ratable benefit of the Holders of the Senior Discount Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. Each of Michigan Holdings and Avalon Michigan Inc. hereby agrees as follows:

(a) Along with all other Guarantors (if any) named from time to time in the Indenture, to jointly and severally Guarantee, to the extent of the obligation of Avalon LLC therefor, to each Holder of a Senior Discount Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Senior Discount Notes or the obligations of the Issuers hereunder or thereunder, that:

(i) the principal of and interest on the Senior Discount Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Senior Discount Notes, if any, if lawful, and all other obligations of Avalon LLC to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof, subject to the limitations set forth in Section 2 (h) below; and

(ii) in case of any extension of time of payment or renewal of any Senior Discount Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason each of Michigan Holdings and Avalon Michigan Inc., to the extent of the obligation of Avalon LLC therefor, and the other Guarantors shall be jointly and severally obligated to pay the same immediately.

(b) The obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Senior Discount Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Senior Discount Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The following is hereby waived: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or

bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever.

(d) This Senior Discount Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Senior Discount Notes and the Indenture.

(e) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to any of the Issuers or the Guarantors, any amount paid by any of them to the Trustee or such Holder, this Senior Discount Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(f) Michigan Holdings and Avalon Michigan Inc. shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(g) As between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Senior Discount Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of this Senior Discount Note Guarantee.

(h) Michigan Holdings and Avalon Michigan Inc., and by its acceptance hereof each Holder and the Trustee, hereby confirms that it is the intention of all such parties that each Senior Discount Note Guarantee not constitute a fraudulent transfer or conveyance for purposes of Title 11 of the United States Code, as amended, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar U.S. Federal or state or other applicable law. To effectuate the foregoing intention, the Holders, Michigan Holdings and Avalon Michigan Inc. hereby irrevocably agree that the obligations of each Guarantor under each Senior Discount Note Guarantee shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor pursuant to Section 2(i), result in the obligations of such Guarantor not constituting such a fraudulent transfer or conveyance.

(i) In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under a Senior Discount Note Guarantee, as the case may be, such Funding Guarantor shall be entitled to a contribution from all other Guarantors (if any) in a pro rata amount, based on the net assets of each Guarantor (including the Funding Guarantor), determined in accordance with GAAP, subject to Section 2(h), for all payments, damages and expenses incurred by such Funding Guarantor in discharging the Issuers' obligations with respect to the Senior Discount Notes or any other Guarantor's obligations under a Senior Discount Note Guarantee, as the case may be.

(j) Each Guarantor agrees, and the Trustee and each Holder of the Senior Discount Notes, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that all claims against an Issuer that arise from payments of the principal of and interest on the Senior Discount Notes pursuant to each Senior Discount Note Guarantee made by or on behalf of each Guarantor shall be subject and subordinated to, and no payment with respect to any such claim of such Guarantor shall be made before, the payment in full in cash of all outstanding Senior Discount Notes in accordance with the provisions provided therefor in the Indenture.

(k) This Supplemental Indenture shall constitute a Senior Discount Note Guarantee of each of Michigan Holdings and Avalon Michigan Inc. for purposes of the Indenture.

(l) This Supplemental Indenture inures to the benefit of and is enforceable by the Trustee, the Holders and their successors, transferees and assigns.

3. EXECUTION AND DELIVERY. Each of Michigan Holdings and Avalon Michigan Inc. agrees that this Senior Discount Note Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Senior Discount Note a notation of such Senior Discount Note Guarantee.

4. RELEASE. In the event of a sale or other disposition of all of the assets of each of Michigan Holdings or Avalon Michigan Inc., by way of merger, consolidation or otherwise, or a sale or other disposition of all to the capital stock thereof, then Michigan Holdings or Avalon Michigan Inc., as applicable (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the capital stock thereof) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets thereof) will, upon notice to the Trustee of its intention to be so released, be released and relieved of any obligations under its Senior Discount Note Guarantee.

5. THE ISSUERS. As of the date hereof and after giving effect to the Reorganization, as contemplated by the Indenture, the Issuers are Avalon LLC and Avalon Finance.

6. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, manager, member or stockholder of any Person who is or was an Issuer or Guarantor under the Senior Discount Notes, as such, shall have any liability for any obligations under the Senior Discount Notes, the Senior Discount Note Guarantees or the Indenture or any related documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Discount Notes by accepting a Senior Discount Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Discount Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

7. FEES AND EXPENSES. Avalon Holdings and Avalon Michigan Inc. hereby agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under this Senior Discount Note Guarantee.

8. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

9. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

10. EFFECT ON INDENTURE. Except as expressly supplemented by this Supplemental Indenture, the provisions of the Indenture shall remain unchanged and in full force and effect. From and after the date of this Supplemental Indenture, any reference in the Indenture to the Indenture shall be deemed to be a reference to the Indenture as supplemented by this Supplemental Indenture.

11. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

12. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by Michigan Holdings, Avalon Michigan Inc. and the Issuers.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

AVALON CABLE LLC

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President

AVALON CABLE HOLDINGS FINANCE, INC.

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President

AVALON CABLE OF MICHIGAN HOLDINGS, INC., as a Guarantor

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President

AVALON CABLE OF MICHIGAN, INC., as a Guarantor

By: /s/ Joel C. Cohen

Name: Joel C. Cohen
Title: President

THE BANK OF NEW YORK, as Trustee

By: /s/ Mary La Gumina

Name: Mary La Gumina
Title: Assistant Vice President

EXHIBIT 4.3

EXECUTION COPY

$196,000,000

AVALON CABLE LLC
AVALON CABLE OF MICHIGAN HOLDINGS, INC.
AVALON CABLE HOLDINGS FINANCE, INC.

11 7/8% Senior Discount Notes due 2008

PURCHASE AGREEMENT

December 3, 1998

LEHMAN BROTHERS INC.
BARCLAYS CAPITAL INC.
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

Avalon Cable LLC, a Delaware limited liability company ("Avalon Holdings"), Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings" and, together with Avalon Holdings, the "Companies"), Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Finance Holdings" and, together with the Companies, the "Issuers") propose to issue and sell to you (the "Initial Purchasers") $110,410,720 in aggregate principal amount at issuance of their 11 7/8% Senior Discount Notes due 2008 (the "Initial Notes") to be issued pursuant to the terms of an Indenture (the "Indenture") among the Issuers and The Bank of New York, as trustee (the "Trustee"), relating to the Initial Notes. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Offering Memorandum.

The Initial Notes will be offered and sold to you pursuant to exemptions from the registration requirements under the Securities Act of 1933, as amended (the "Securities Act"). The Issuers have prepared a preliminary offering memorandum, dated November 24, 1998 (the "Preliminary Offering Memorandum"), and a final offering memorandum (the "Offering Memorandum"), dated December 3, 1998, relating to the Issuers and the Initial Notes. As described in the Offering Memorandum, the Issuers will use the net proceeds from the offering of the Initial Notes to: (i) refinance certain existing indebtedness; and (ii) pay related fees and expenses (each as more fully described in the Offering Memorandum).

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Initial Notes (and all

securities issued in exchange therefor or in substitution thereof) shall bear the following legend:

> "THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUERS SO REQUEST), (2) TO THE ISSUERS OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

You have advised the Issuers that you will make offers (the "Exempt Resales") of the Initial Notes purchased by you hereunder on the terms set forth in the Offering Memorandum, as amended or supplemented, solely to (i) persons whom you reasonably believe to be "qualified institutional buyers," as defined in Rule 144A under the Securities Act ("QIBs"), and (ii) to persons other than U.S. Persons in offshore transactions meeting the requirements of Rule 903 and 904 of Regulation S ("Regulation S") under the Securities Act (such persons specified in clauses (i) and (ii) being referred to herein as the "Eligible Purchasers"). As used herein, the terms "offshore transaction" and "U.S. person" have the respective meanings given to them in Regulation S. You will offer the Initial Notes to Eligible Purchasers initially at a price equal to 100% of the principal amount at issuance thereof. Such price may be changed at any time without notice.

Holders (including subsequent transferees) of the Initial Notes will have the registration rights set forth in the registration rights agreement (the "Registration Rights

Agreement"), to be dated December 10, 1998 (the "Closing Date"), in the form of Exhibit A hereto, for so long as such Initial Notes constitute "Transfer Restricted Securities" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Issuers will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein, (i) a registration statement under the Securities Act (the "Exchange Offer Registration Statement") relating to the Issuers' 11 7/8% Senior Discount Notes due 2008 (the "New Notes" and, together with the Initial Notes, the "Notes") to be offered in exchange for the Initial Notes (such offer to exchange being referred to collectively as the "Exchange Offer") and (ii) if necessary, a shelf registration statement pursuant to Rule 415 under the Securities Act (the "Shelf Registration Statement," and together with the Exchange Offer Registration Statement, the "Registration Statements") relating to the resale of the Initial Notes by certain holders of such Notes, and to use their best efforts to cause such Registration Statements to be declared effective. This Agreement, the Indenture and the Registration Rights Agreement are hereinafter referred to collectively as the "Operative Documents."

1. Representations, Warranties and Agreements of the Issuers. Each of the Issuers represents, warrants and agrees as follows:

(a) The Preliminary Offering Memorandum and the Offering Memorandum have been prepared by the Issuers for use by the Initial Purchasers in connection with the Exempt Resales. No order or decree preventing the use of the Preliminary Offering Memorandum or the Offering Memorandum, or any order asserting that the transactions contemplated by this Agreement are subject to the registration requirements of the Securities Act, has been issued and no proceeding for that purpose has commenced or is pending or, to the knowledge of the Issuers is contemplated.

(b) The Preliminary Offering Memorandum and the Offering Memorandum as of their respective dates did not, and the Offering Memorandum as of the Closing Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements in or omissions from the Preliminary Offering Memorandum and the Offering Memorandum relating to the Initial Purchasers and made in reliance upon and in conformity with information furnished to the Issuers in writing by or on behalf of the Initial Purchasers expressly for use therein.

(c) The market-related and industry-related data and estimates included in the Preliminary Offering Memorandum and the Offering Memorandum are based on or derived from sources which the Issuers believe to be reliable and accurate in all material respects.

(d) Each of Issuers and each of their respective subsidiaries is a limited liability company or corporation, as the case may be, duly formed or incorporated, as the case may be, and validly existing and in good standing under the laws of the State of Delaware with all requisite limited liability company or corporate, as the case may be, power and authority to own, lease and operate its properties and to conduct its business

as described in the Preliminary Offering Memorandum and the Offering Memorandum, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify or to be in good standing would not have a material adverse effect on the condition (financial or other), business, properties, or results of operations of the Issuers and their subsidiaries, taken as a whole (a "Material Adverse Effect").

(e) Each of the Issuers has all requisite limited liability company or corporate, as the case may be, power and authority to execute, deliver and perform its obligations under this Agreement, the Indenture, the Notes and the Registration Rights Agreement, as applicable.

(f) This Agreement has been duly and validly authorized, executed and delivered by each of the Issuers and assuming due authorization, execution and delivery by the Initial Purchasers, constitutes the valid and binding agreement of each of the Issuers, enforceable against the Issuers in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(g) The Registration Rights Agreement has been duly and validly authorized by each of the Issuers and, upon its execution and delivery by each of the Issuers and, assuming due authorization, execution and delivery by the Initial Purchasers, will constitute the valid and binding agreement of each of the Issuers, enforceable against the Issuers in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principals of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(h) The Indenture has been duly and validly authorized by each of the Issuers, and upon its execution and delivery by each of the Issuers and, assuming due authorization, execution and delivery by the Trustee, will constitute the valid and binding agreement of each of the Issuers, enforceable against the Issuers in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law); no qualification of the Indenture under the Trust Indenture Act of 1939 ("TIA") is required in connection with the offer and sale of the Initial Notes contemplated hereby or in connection with the Exempt Resales in accordance with the terms hereof.

(i) The Initial Notes have been duly and validly authorized by the Issuers and when duly executed by the Issuers in accordance with the terms of the Indenture and, assuming due authentication of the Initial Notes by the Trustee, upon delivery to the Initial

Purchasers against payment therefor in accordance with the terms hereof, will have been validly issued and delivered, and will constitute valid and binding obligations of the Issuers entitled to the benefits of the Indenture, enforceable against the Issuers in accordance with their terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principals of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(j) The New Notes have been duly and validly authorized by the Issuers and if and when duly issued and authenticated in accordance with the terms of the Indenture and, assuming due authentication of the New Notes by the Trustee, upon delivery in accordance with the Exchange Offer provided for in the Registration Rights Agreement, will constitute valid and binding obligations of the Issuers entitled to the benefits of the Indenture, enforceable against the Issuers in accordance with their terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principals of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(k) All the limited liability company units of the Companies and all the shares of Avalon Finance outstanding prior to the issuance of the Initial Notes have been duly authorized and validly issued and are fully paid and nonassessable, and the authorized capitalization of each of the Issuers conforms in all material respects to the description thereof under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Offering Memorandum.

(l) None of the Issuers nor any of their subsidiaries own capital stock or other equity interests of any corporation or entity other than as disclosed in the Offering Memorandum (other than a subsidiary organized for purposes of the Mercom Acquisition and subsidiaries of Mercom). Each of the subsidiaries is a limited liability company or corporation duly formed or incorporated, as the case may be, and validly existing and in good standing under the laws of the jurisdiction of its formation or incorporation, as the case may be, with all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Offering Memorandum, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to so register or qualify or be in good standing would not have a Material Adverse Effect. All the outstanding shares of capital stock of each of the Issuers' subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable, and are wholly owned by the Issuers directly, or indirectly through one of its other subsidiaries, free and clear of any lien, adverse claim, security interest, equity or other encumbrance, except as specifically described in the Offering Memorandum (including the pledges under the Credit Facility).

(m) There are no legal or governmental proceedings pending or, to the knowledge of the Issuers or their subsidiaries, threatened against the Issuers or any of their subsidiaries or to which any of their respective properties is subject, that are not disclosed in the Offering Memorandum and which, are reasonably likely to have a Material Adverse Effect, or to materially affect the issuance of the Notes or the consummation of any of the other transactions contemplated by the Operative Documents. None of the Issuers nor any of their subsidiaries are involved in any material strike, job action or labor dispute with any group of employees, and, to the knowledge of the Issuers or any of their subsidiaries, no such action or dispute is threatened.

(n) Except as described in the Offering Memorandum, no material relationship, direct or indirect, exists between or among the Issuers or any of their subsidiaries on the one hand, and the directors, officers, stockholders, affiliates, customers or suppliers of the Issuers or any of their subsidiaries on the other hand.

(o) The execution, delivery and performance of this Agreement and the other Operative Documents and the issuance of the Initial Notes and the New Notes and the consummation of the transactions contemplated hereby and thereby will not conflict with, or result in a breach or violation of any of the terms or provisions of, or (including with the giving of notice or the lapse of time or both) constitute a default under (i) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuers or any of their subsidiaries is a party or by which the Issuers or any of their subsidiaries is bound or to which any of the properties or assets of the Issuers or any of their subsidiaries is subject, (ii) the provisions of the charter, by-laws or other organizational documents of the Issuers or any of their subsidiaries or (iii) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Issuers or any of their subsidiaries or any of their properties or assets, except in the cases of clause (i) or (iii), such breaches, violations or defaults that in the aggregate would not have a Material Adverse Effect, and no consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body is required for the execution, delivery and performance of this Agreement and the other Operative Documents and the issuance of the Initial Notes and the New Notes except as may be required by the securities or Blue Sky laws of any state of the United States in connection with the sale of the Initial Notes and the New Notes and except as contemplated by the Registration Rights Agreement.

(p) The accountants, PricewaterhouseCoopers LLP, KPMG Peat Marwick LLP and Greenfield, Altman, Brown, Berger & Katz, P.C., who have certified certain of the financial statements included as part of the Offering Memorandum, are independent public accountants under Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants (the "AICPA"), and its interpretation and rulings.

(q) The historical financial statements, together with the related notes thereto, set forth in the Offering Memorandum comply as to form in all material respects with the requirements of Regulation S-X under the Securities Act applicable to registration statements on Form S-1 under the Securities Act. Such historical financial statements fairly present in all material respects the financial positions of the Issuers, their respective

predecessors, as applicable, at the respective dates indicated and the results of operations and cash flows for the respective periods indicated, in each case in accordance with generally accepted accounting principles ("GAAP") consistently applied throughout such periods (subject, in certain cases, to normal year-end audit adjustments and the absence of footnote disclosure). The pro forma financial statements contained in the Offering Memorandum have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, include all material adjustments to the historical financial data required by Rule 11-02 of Regulation S-X to reflect the completed Acquisitions, the Acquisition Transactions, the Initial Financing and the Offering (each as defined in the Offering Memorandum), give effect to assumptions made on a reasonable basis and present fairly in all material respects; on a pro forma basis; the historical and proposed transactions contemplated by the Offering Memorandum and this Agreement. The other financial and statistical information and data included in the Offering Memorandum are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Issuers, their respective predecessors, as applicable.

(r) Except as disclosed in or contemplated by the Offering Memorandum, since the date of the latest audited financial statements of each of the Issuers, their respective predecessors, as applicable, and their respective subsidiaries included in the Offering Memorandum, to the Issuers' knowledge, after due inquiry, (i) none of the Issuers or any of their subsidiaries has incurred any liability or obligation, direct or contingent, or entered into any transaction, in each case not in the ordinary course of business, that is material to the Issuers, taken as a whole, and their subsidiaries, (ii) there has been no development or event involving a Material Adverse Effect or any prospective Material Adverse Effect with respect to the Issuers, taken as a whole, and (iii) there has been no (A) dividend or distribution of any kind declared, paid or made by the Issuers, on any class of their capital stock or units, as the case may be, (B) issuance of securities (other than the Initial Notes offered hereby) or (C) material increase in short-term or long-term debt of any of the Issuers.

(s) The Issuers and each of their subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance 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 GAAP 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 existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(t) Each of the Issuers and each of their subsidiaries has good and marketable title to all property (real and personal) described in the Offering Memorandum as being owned by them, free and clear of all liens, claims, security interests or other encumbrances except such as are described in the Offering Memorandum, and all the material property described in the Offering Memorandum as being held under lease by the Issuers and their subsidiaries is held by them under valid, subsisting and enforceable leases, with only such exceptions as would not in the aggregate, have a Material Adverse

Effect. In addition, except as described in the Offering Memorandum, the consummation of the transactions contemplated by this Agreement will not give rise to any third party rights of first refusal under any material agreement as to which the Issuers and any of their subsidiaries or any of their property or assets may be subject.

(u) Each of the Issuers and each of their subsidiaries owns or possesses all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and related rights described in the Offering Memorandum as being owned by any of them or necessary for the conduct of their respective businesses, and none of the Issuers nor any of their subsidiaries are aware of any claim to the contrary or any challenge by any other person to the rights of the Issuers or any of their subsidiaries with respect to such rights that would in the aggregate have a Material Adverse Effect.

(v) Each of the Issuers and each of their subsidiaries has such permits, licenses, franchises, certificates, consents, orders and other approvals or authorizations of any governmental or regulatory authority ("Permits"), as are necessary under applicable law to own their respective properties and to conduct their respective businesses in the manner described in the Offering Memorandum, except to the extent that the failure to have such Permits would not have a Material Adverse Effect. Each of the Issuers and each of their subsidiaries has fulfilled and performed, in all material respects, all their respective obligations with respect to the Permits, and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holders of any Permit, subject in each case to such qualification as may be set forth in the Offering Memorandum and except to the extent that any such revocation or termination would not have a Material Adverse Effect.

(w) None of the Issuers nor any of their subsidiaries nor any director, officer, agent, employee or other person associated with or acting on behalf of the Issuers or any of their subsidiaries, have used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(x) None of the Issuers nor any of their subsidiaries are currently or will be, upon sale of the Initial Notes in accordance herewith and the application of the net proceeds therefrom as described in the Offering Memorandum under the caption "Use of Proceeds," an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(y) None of the Issuers nor any affiliate (as defined in Rule 501(b) of Regulation D ("Regulation D") under the Securities Act) of any of the Issuers has directly, or through any agent (provided that no representation is made as to the Initial Purchasers or any person acting on their behalf), (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or would be integrated with the offering and sale of the Notes in a manner that would

require the registration of the Initial Notes under the Securities Act or (ii) engaged in any form of general solicitation or general advertising (within the meaning of Regulation D, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) in connection with the offering of the Initial Notes. No securities of the same class as the Initial Notes have been issued and sold by the Issuers within the six-month period immediately prior to the date hereof.

(z) Except as permitted by the Securities Act, the Issuers have not distributed and, prior to the later to occur of the Closing Date and completion of the distribution of the Initial Notes, will not distribute any offering material in connection with the offering and sale of the Initial Notes other than the Preliminary Offering Memorandum and Offering Memorandum.

(aa) When the Initial Notes are issued and delivered pursuant to this Agreement, such Initial Notes will not be of the same class (within the meaning of Rule 144A under the Securities Act) as securities of the Issuers that are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or that are quoted in a United States automated inter-dealer quotation system.

(bb) Assuming (i) that your representations and warranties in Section 2 are true, (ii) compliance by you with your covenants set forth in Section 2 and (iii) that each of the Eligible Purchasers is either (A) an entity that you reasonably believe to be a QIB or (B) a person who is not a "U.S. person" and who acquires the Initial Notes outside the United States in an "offshore transaction" (within the meaning of Regulation S), the purchase of the Initial Notes by you pursuant hereto and the resale of the Initial Notes pursuant to the Exempt Resales is exempt from the registration requirements of the Securities Act.

(cc) Each of the Issuers and each of their subsidiaries is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"), no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Issuers would have any liability; the Issuers have not incurred and do not except to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); each "pension plan" for which the Issuers would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; and the statements set forth in the Offering Memorandum under the caption "Notice to Investors" do not include any untrue statements of material facts and do not omit any material facts necessary in order to make such statements, in light of the circumstances under which they were made, not misleading.

(dd) The execution and delivery of this Agreement, the other Operative Documents and the sale of the Initial Notes to be purchased by the Eligible Purchasers will not involve any prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. The representation made by the Issuers in the preceding sentence is made in reliance upon and subject to the accuracy of, and compliance with, the representations and covenants made or deemed made by the Eligible Purchasers as set forth in the Offering Memorandum under the section entitled "Notice to Investors."

(ee) Except as described in the Offering Memorandum (including the registration rights agreement for the Senior Subordinated Notes), there are no contracts, agreements or understandings between the Issuers or any of their subsidiaries and any person granting such person the right to require the Issuers or any of their subsidiaries to file a registration statement under the Securities Act with respect to any securities of the Issuers and their subsidiaries owned or to be owned by such person or to require the Issuers or any of their subsidiaries to include such securities in the securities registered pursuant to the Registration Statements or in any securities being registered pursuant to any other registration statement filed by the Issuers or any of their subsidiaries under the Securities Act.

(ff) Each of the Issuers and each of their subsidiaries carries, or are covered by, insurance in such amounts and covering such risks as is reasonably adequate for the conduct of their businesses and the value of their properties and as is customary for companies engaged in similar businesses in similar industries.

(gg) Each of the Issuers and each of their subsidiaries has filed all material federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Issuers or any of their subsidiaries nor do the Issuers or any of their subsidiaries have any knowledge of any tax deficiency which, if determined adversely to the Issuers, would have a Material Adverse Effect.

(hh) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, hazardous wastes or hazardous substances by the Issuers or any of their subsidiaries (or, to the knowledge of the Issuers, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Issuers or any of their subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgement, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgement, decree or permit, except for any violation or remedial action which would not have, or could not be reasonably likely to have, singularly or in the aggregate, a Material Adverse Effect; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Issuers or any of their subsidiaries or with respect to which the Issuers or any of their subsidiaries have knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not have or would not be reasonably likely to have, singularly or in the aggregate, a Material Adverse Effect; and the terms "hazardous wastes," "toxic wastes," "hazardous

substances" and "medical wastes" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(ii) None of the Issuers or any of their affiliates or any person acting on their behalf has engaged or will engage during the applicable restricted period in any directed selling efforts within the meaning of Rule 902(b) of Regulation S with respect to the Notes, and the Issuers and their affiliates and all persons acting on their behalf (provided that no representation is made as to the Initial Purchasers or any person acting on their behalf) have complied with and will comply with the offering restriction requirements of Regulation S in connection with the offering of the Notes outside the United States.

(jj) The sale of the Initial Notes pursuant to Regulation S are "offshore transactions" and are not part of a plan or scheme to evade the registration provisions of the Securities Act.

(kk) None of the Issuers nor any of their subsidiaries has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the Notes to facilitate the sale or resale of the Notes (provided that no representation is made as to the Initial Purchasers or any person acting on their behalf).

(ll) On and immediately after the Closing Date, each of the Companies (after giving effect to the issuance of the Notes and to the other transactions related thereto as described in the Offering Memorandum) will be Solvent. As used in this paragraph, the term "Solvent" means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of the assets of each of the Companies is not less than the total amount required to pay the probable liabilities of each of the Companies on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (ii) each of the Companies is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (iii) assuming the sale of the Notes as contemplated by this Agreement and the Offering Memorandum, neither of the Companies is incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature and (iv) neither of the Companies is engaged in any business or transaction, or is about to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Companies are engaged. In computing the amount of such contingent liabilities at any time, it is intended that such liabilities will be computed at the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

2. Representations, Warranties and Agreements of the Initial Purchasers. The Initial Purchasers represent, warrant and agree that:

(a) The Initial Purchasers are QIBs with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Notes.

(b) The Initial Purchasers (i) are not acquiring the Initial Notes with a view to any distribution thereof or with any present intention of offering or selling any of the Initial Notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; (ii) in connection with the Exempt Resales, will solicit offers to buy the Notes only from and will offer to sell the Notes only to, the Eligible Purchasers in accordance with this Agreement and on the terms contemplated by the Offering Memorandum; and (iii) will not offer or sell the Notes pursuant to, nor have they offered or sold the Notes by, or otherwise engaged in, any form of general solicitation or general advertising (within the meaning of Regulation D; including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising).

(c) The Initial Purchasers, shall not, except as otherwise permitted by this Agreement, offer, sell or deliver the Initial Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Exempt Resales and the original issue date of the Initial Notes, within the United States to, or for the account or benefit of, U.S. Persons, and that they will send to each distributor, dealer, or other person receiving a selling concession or similar fee to which they sell the Initial Notes in reliance on Regulation S during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Initial Notes within the United States or to, or for the account or benefit of, U.S. Persons.

(d) The Initial Purchasers understand that the Issuers and, for purposes of the opinions to be delivered to you pursuant to Section 7 hereof, counsel to the Issuers and counsel to the Initial Purchasers, will rely upon the accuracy and truth of the representations and agreements in this Section 2 and you hereby consent to such reliance.

The terms used in this Section 2 that have meanings assigned to them in Regulation S are used herein as so defined.

The Initial Purchasers further agree that, in connection with the Exempt Resales, they will solicit offers to buy the Initial Notes only from, and will offer to sell the Initial Notes only to, the Eligible Purchasers in Exempt Resales.

3. Purchase of the Notes by the Initial Purchasers. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Issuers agree to sell $110,410,720 in aggregate principal amount at issuance of Initial Notes to the Initial Purchasers and the Initial Purchasers, severally and not jointly, will purchase the aggregate principal amount at issuance of Initial Notes set forth next to such Initial Purchaser's name on Schedule I hereto at an aggregate purchase price equal to 96.75% of the principal amount at issuance thereof (the "Purchase Price").

The Issuers shall not be obligated to deliver any of the Initial Notes to be delivered, except upon payment of all the Initial Notes to be purchased on such Closing Date as provided herein.

4. Delivery and Payment of the Notes.

(a) Delivery to the Initial Purchasers of and payment for the Initial Notes shall be made at 9:30 a.m., New York City time, on the Closing Date at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, or such other place or time as you and the Issuers shall designate.

(b) One or more Initial Notes in definitive form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), or such other names as the Initial Purchasers may request upon at least one business day's notice to the Issuers, having an aggregate principal amount at maturity corresponding to the aggregate principal amount of Initial Notes (collectively, the "Global Notes"), shall be delivered by the Issuers to the Initial Purchasers, against payment by the Initial Purchasers of the purchase price thereof by wire transfer of immediately available funds as the Issuers may direct by written notice delivered to you one business day prior to the Closing Date. The Global Notes in definitive form shall be made available to you for inspection on the business day immediately preceding the Closing Date.

5. Further Agreements of the Issuers. Each of the Issuers agrees:

(a) To advise you promptly and, if requested by you, to confirm such advice in writing, of (i) the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of any Notes for offering or sale in any jurisdiction, or the initiation of any proceeding for such purpose by the Commission or any state securities commission or other regulatory authority, and (ii) the happening of any event that makes any statement of a material fact made in the Offering Memorandum untrue or that requires the making of any additions to or changes in the Offering Memorandum in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Issuers shall use their best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of the Notes under any state securities or Blue Sky laws and, if at any time any state securities commission shall issue any stop order suspending the qualification or exemption of the Notes under any state securities or Blue Sky laws, the Issuers shall use every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time.

(b) To furnish to you, without charge, as many copies of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments or supplements thereto, as you may reasonably request. The Issuers have authorized you to use the Preliminary Offering Memorandum to make offers of the Initial Notes. The Issuers consent to the use of the Offering Memorandum, and any amendments and supplements thereto required pursuant to this Agreement, by you in connection with the Exempt Resales that are in compliance with this Agreement.

(c) Not to amend or supplement the Offering Memorandum prior to the Closing Date or during the period referred to in the next sentence unless you shall previously have been advised of, and shall not have reasonably objected to, such amendment or supplement within a reasonable time, but in any event not longer than five days after being furnished a copy of such amendment or supplement. If, in connection with any Exempt Resales or market making transactions after the date of this Agreement, any event shall occur that, in the judgement of the Issuers or in the judgement of counsel to you, makes any statement of a material fact in the Offering Memorandum untrue or that requires the making of any additions to or changes in the Offering Memorandum in order to make the statements in the Offering Memorandum, in light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not misleading, or if it is necessary to amend or supplement the Offering Memorandum to comply with any applicable laws, the Issuers shall promptly notify you of such event and prepare an appropriate amendment or supplement to the Offering Memorandum so that (i) the statements in the Offering Memorandum as amended or supplemented will, in light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not be misleading and (ii) the Offering Memorandum will comply with applicable law.

(d) To cooperate with you and your counsel in connection with the qualification of the Initial Notes for offer and sale by you and by dealers under the state securities or Blue Sky laws of such jurisdictions as you may request (provided, however, that none of the Issuers shall be obligated to register or qualify as a foreign corporation in any jurisdiction in which it is not now so registered or qualified or to take any action that would subject it to general consent to service of process or taxation in any jurisdiction in which it is not now so subject). The Issuers shall continue such qualification in effect so long as required by law for distribution of the Initial Notes and shall file such consents to service of process or other documents as may be necessary in order to effect such qualification.

(e) Prior to the Closing Date, to furnish to you, any internal financial statements of the Companies that have been prepared by or furnished to the Issuers for any period subsequent to the period covered by the financial statements appearing in the Offering Memorandum.

(f) To use its reasonable best efforts to do and perform all things required to be done and performed under this Agreement by it prior to or after the Closing Date and to satisfy all conditions precedent on its part to the delivery of the Initial Notes.

(g) Not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of the Initial Notes in a manner that would require the registration under the Securities Act of the sale to you or the Eligible Purchasers of the Initial Notes; provided no statement is made as to actions by the Initial Purchasers or persons acting on their behalf.

(h) For a period of 120 days from the date of the Offering Memorandum, not to, directly or indirectly, sell, contract to sell, grant any option to purchase, issue any

instrument convertible into or exchangeable for, or otherwise transfer or dispose of, any debt securities of the Issuers or any of their subsidiaries having a maturity of more than one year from the date of issue of such securities, except (i) for the Senior Subordinated Notes including the notes issued in the exchange offer related to such Senior Subordinated Notes, (ii) for the New Notes in connection with the Exchange Offer or (iii) with the prior consent of Lehman Brothers Inc.

(i) For the period that is two years after the Closing Date or for so long as necessary to comply with Rule 144A in connection with resales by registered holders or beneficial owners of Initial Notes, whichever is longer, to make available to such registered holder or beneficial owner of Initial Notes in connection with any sale thereof and any prospective purchaser of such Initial Notes from such registered holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

(j) To comply with the agreements in the Registration Rights Agreement, and all agreements set forth in the representation letters of the Issuers' to DTC relating to the approval of the Notes by DTC for "book-entry" transfer.

(k) To use its best efforts to effect the inclusion of the Notes in the National Association of Securities Dealers, Inc. Automated Quotation System - - PORTAL ("PORTAL").

(l) To apply the net proceeds from the sale of the Initial Notes being sold by the Issuers as set forth in the Offering Memorandum under the caption "Use of Proceeds."

6. Expenses. Each of the Issuers agrees, jointly and severally, that, whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with: (i) the preparation, printing, filing and distribution of the Preliminary Offering Memorandum and the Offering Memorandum (including, without limitation, financial statements) and all amendments and supplements thereto (but not, however, legal fees and expenses of your counsel incurred in connection therewith), (ii) the preparation, printing (including, without limitation, word processing and duplication costs) and delivery of this Agreement, the Indenture and any Blue Sky Memoranda, (iii) the issuance and delivery by the Issuers of the Notes, (iv) the qualification of the Notes for offer and sale under the securities or Blue Sky laws of the several states (including, without limitation, the reasonable fees and disbursements of your counsel relating to such registration or qualification in an amount not to exceed $10,000), (v) furnishing such copies of the Preliminary Offering Memorandum and the Offering Memorandum, and all amendments and supplements thereto, as may be reasonably requested by the Initial Purchasers for use in connection with the initial Exempt Resales, (vi) the preparation of certificates for the Notes including, without limitation, printing and engraving, (vii) the fees, disbursements and expenses of the Issuers' counsel and accountants, (viii) all expenses and listing fees in connection with the application for quotation of the Initial Notes in PORTAL, (ix) all fees and expenses (including fees and expenses of counsel) of the Issuers in connection with the approval of the Notes by DTC for "book-entry" transfer

and (x) the performance by the Issuers of their other obligations under this Agreement to the extent not provided for above.

7. Conditions of Initial Purchasers' Obligations. The obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and again on the Closing Date (as if made again on and as of such date), of the representations and warranties of the Issuers contained herein, to the performance by the Issuers of their obligations hereunder and to each of the following additional terms and conditions:

(a) The consummation of the Senior Subordinated Note Offering (as defined in the Offering Memorandum) shall have occurred.

(b) The Offering Memorandum shall have been printed and copies made available to you not later than 6:00 p.m., New York City time, on the day following the date of this Agreement, or at such later date and time as you may approve in writing.

(c) The Initial Purchasers shall not have discovered and disclosed to the Issuers on or prior to such Closing Date that the Offering Memorandum or the most recent amendment or supplement thereto contains an untrue statement of a fact which, in the opinion of Simpson Thacher & Bartlett, counsel for the Initial Purchasers, is material or omits to state a fact which, in the opinion of such counsel, is material and is necessary to make the statements, in light of the circumstances under which they were made, not misleading.

(d) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the other Operative Documents, the Offering Memorandum and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Initial Purchasers, and the Issuers shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(e) Kirkland & Ellis shall have furnished to the Initial Purchasers, its written opinion, as counsel to the Issuers, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and its counsel, to the effect that:

(i) Each of the Issuers is a limited liability company or corporation, as the case may be, duly formed or incorporated, as the case may be. Each of the Issuers is validly existing and in good standing under the laws of the state of its formation or incorporation, as the case may be.

(ii) Each of the Issuers has all requisite limited liability company or corporate, as the case may be, power to own and lease its respective properties and to conduct its respective business as described in the Offering Memorandum. Each of the Issuers has all requisite limited liability company or corporate, as the case may be, power and authority to execute, deliver and perform their respective

obligations under this Agreement, the Indenture and the Registration Rights Agreement, and to authorize, issue and sell the Notes as contemplated by this Agreement.

(iii) This Agreement has been duly authorized, executed and delivered by each of the Issuers.

(iv) The Indenture has been duly authorized, executed and delivered by each of the Issuers and constitutes a valid and binding obligation of each of the Issuers, enforceable against the Issuers in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(v) The Registration Rights Agreement has been duly authorized, executed and delivered by each of the Issuers and constitutes a valid and binding obligation of each of the Issuers, enforceable against the Issuers in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law and provided that such counsel shall not express an opinion as to the validity of the indemnification or contribution provisions of such Registration Rights Agreement).

(vi) The Initial Notes have been duly authorized, executed and delivered by each of the Issuers and, when paid for by the Initial Purchasers in accordance with the terms of this Agreement (assuming the due authorization, execution and delivery of the Indenture by the Trustee and due authentication and delivery of the Notes by the Trustee in accordance with the Indenture), will constitute Notes under the terms of the Indenture, will constitute the valid and binding obligations of each of the Issuers entitled to the benefits of the Indenture, and will be enforceable against each of the Issuers in accordance with their terms. (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law. The New Notes have been duly authorized by the Issuers and when duly executed and delivered and authenticated by the Issuers pursuant to the terms of the Indenture and the Registration Rights Agreement (assuming the due authorization, execution and delivery of the Indenture by the Trustee and due authentication, execution and delivery of the New Notes by the Trustee in accordance with the Indenture), will constitute New Notes under the terms of the Indenture, will constitute the valid and binding obligations of each of the Issuers entitled to the benefits of the Indenture, and will be enforceable against each of the Issuers in accordance with their terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including,

without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether in a proceeding in equity or at law).

(vii) All the limited liability company units or shares of capital stock, as the case may be, of the Issuers outstanding prior to the issuance of the Initial Notes have been duly authorized and validly issued and, in the case of capital stock, are fully paid and nonassessable.

(viii) The Issuers' execution, delivery and performance of their respective obligations under this Agreement, the Indenture and the Registration Rights Agreement and the Issuers' sale of the Initial Notes to the Initial Purchasers in accordance with this Agreement and performance of their respective obligations under each do not (i) violate Avalon Holding's Certificate of Formation or Limited Liability Company Agreement or Michigan Holdings' or Finance Holding's Certificate of Incorporation or by-laws or (ii) constitute a violation by the Issuers of any applicable provision of any law, statute or regulation (except that no opinion is expressed as to compliance with any disclosure requirement or any prohibition against fraud or misrepresentation or as to whether performance of the indemnification or contribution provisions in this Agreement would be permitted or any FCC or franchise law) or any order or decree known to such counsel of any court or government agency or (iii) breach, or result in a default under, any existing obligation of the Issuers under any of the agreements listed on Schedule II to such opinion (and which the Issuers have represented lists all material agreements and instruments to which the Issuers and their subsidiaries or by which the Issuers and their subsidiaries are bound or by which their property or assets are subject provided that no opinion is expressed as to compliance with any financial test or cross-default provision in any such agreement).

(ix) The Issuers' were not required to obtain any consent, approval, authorization or order of or registration or filing with, any court, regulatory body, administrative agency or other governmental agency for the issuance, delivery and sale of the Initial Notes under this Agreement or the performance by the Issuers of the Registration Rights Agreement except for an order of the Commission declaring the registration statements, to be filed pursuant to the Registration Rights Agreement, effective or any filings required under Blue Sky laws.

(x) Subject to compliance by the Initial Purchasers with the procedures set forth in this Agreement, it is not necessary in connection with the sale of the Initial Notes to the Initial Purchasers in accordance with this Agreement or in connection with the resale of the Notes in the Exempt Resales contemplated by this Agreement to register the Notes under the Securities Act or to qualify the Indenture under the TIA.

(xi) When the Initial Notes are issued and delivered pursuant to this Agreement, such Initial Notes will not be of the same class (within the meaning of Rule 144A under the Securities Act) as securities of the Issuers that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a United States automated inter-dealer quotation system.

(xii) The information in the Offering Memorandum under the heading "Description of the Senior Subordinated Notes" and "Certain United States Federal Income Tax Consequences" to the extent that it summarizes laws, governmental rules or regulations or documents is correct is all material respects.

In addition, such counsel shall also state that such counsel has participated in conferences with officers of the Issuers and with the independent public accountants for the Issuers concerning the preparation of the Offering Memorandum and, although such counsel has made certain inquiries and investigations in connection with the preparation of the Offering Memorandum, it is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Memorandum, but that, on the basis of the foregoing such counsel's work in connection with this matter, relying as to questions of fact material to such opinion upon the opinions and statements of officers of the Issuers, nothing has come to such counsel's attention to cause such counsel to believe that the Offering Memorandum, as of its date or as of the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no belief or opinion with respect to the financial statements, notes and schedules and other financial and statistical data included therein or omitted therefrom).

The opinion of such counsel may be limited to the laws of the state of New York, the General Corporation Law and Limited Liability Company Act of the State of Delaware, and the federal laws of the United States.

(f) Bienstock & Clark shall have furnished to the Initial Purchasers, its written opinion, as special counsel to the Issuers, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and its counsel, to the effect that:

(i) The issuance and sale of the Notes and the consummation by the Issuers of all of the transactions contemplated by the Purchase Agreement will not result in a violation of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Communications Act"), or any order, rule or regulation of the Federal Communications Commission (the "FCC"), as pertaining to the operations of the Issuers.

(ii) No consent, approval, authorization, order, registration or qualification of or with the FCC is required under the Communications Act or the rules and regulations of the FCC for the issuance and sale of the Notes or the consummation by the Issuers of the transactions contemplated by this Agreement.

(iii) To the best of its knowledge after due inquiry, the Issuers have the right to use or manage all of the FCC licenses including grants of special temporary authorities listed in Schedule I to such opinion (the "FCC Licenses"), except as any impairment in the right to use such FCC Licenses, taken in the aggregate, would not materially or adversely affect: (a) the condition (financial or other), business, prospects,

properties, net worth or results of operations of the Issuers and their subsidiaries, taken as a whole, or (b) the ability of the Issuers to perform their obligations under this Agreement. To the best of its knowledge based on information provided by the Issuers, its employees, agents, other attorneys or advisors, the FCC Licenses are in full force and effect and such counsel are not aware of any other FCC licenses required by the Issuers or their subsidiaries to conduct their businesses as now operated.

(iv) Except as described in the Offering Memorandum, to the best of its knowledge based on information provided by the Issuers, its employees, agents, other attorneys or advisors, such counsel do not know of any material proceedings threatened, pending or contemplated before the FCC against or involving the FCC Licenses of the Issuers or their subsidiaries.

(v) To the best of its knowledge after due inquiry, subject to the qualification in (iv) above, no event has occurred that permits, or with notice or lapse of time or both would permit the revocation or termination of any of the FCC Licenses or that might result in any other material impairment of the rights of the Issuers or their subsidiaries to use the FCC Licenses.

(vi) As of the date of the Offering Memorandum, the statements made in the Offering Memorandum under the captions "Risk Factors--Non-Exclusive Franchises; Non-Renewal or Termination of Franchises," "Risk Factors--Regulation of the Cable Television Industry; Pending Legislation," "Business--Franchises," "Business-- Competition" and "Regulation," insofar as such statements purport to constitute summaries of relevant federal communications laws or related legal and governmental proceedings, constitute accurate summaries of the terms of such laws and proceedings in all material respects as they relate to the business of the Issuers.

The opinion of such counsel may be limited to the Communications Act, and the rules, regulations and published opinions of the FCC relating thereto, as pertaining to the operations of the Issuers.

(g) The Initial Purchasers shall have received from Simpson Thacher & Bartlett, counsel for the Initial Purchasers, such opinion or opinions, dated as of the Closing Date, with respect to the issuance and sale of the Initial Notes, the Offering Memorandum and other related matters as the Initial Purchasers may reasonably require, and the Issuers shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(h) The Issuers and the Trustee shall have entered into the Indenture and the Initial Purchasers shall have received counterparts, conformed as executed, thereof.

(i) The Issuers and the Initial Purchasers shall have entered into the Registration Rights Agreement and the Initial Purchasers shall have received counterparts, conformed as executed, thereof.

(j) With respect to the letter of PricewaterhouseCoopers LLP, KPMG Peat Marwick LLP and Greenfield, Altman, Brown, Berger & Katz, P.C. delivered to the Initial

Purchasers concurrently with the execution of this Agreement (the "initial letter"), the Issuers shall have furnished to the Initial Purchasers a letter (as used in this paragraph, the "bring-down letter") of such accountant, addressed to the Initial Purchasers and dated as of the Closing Date (i) confirming that it is an independent public accountant under the guidelines of the American Institute of Certified Public Accountant, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Offering Memorandum, as of a date not more than two days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(k) Each of the Issuers shall have furnished to the Initial Purchasers a certificate, dated as of the Closing Date, of its Chief Executive Officer or President and its Vice President--Finance stating that:

(i) The representations and warranties of the Issuers in Section 1 are true and correct as of such Closing Date and after giving effect to the consummation of the transactions contemplated by this Agreement; the Issuers have complied in all material respects with all their agreements contained herein, and the condition set forth in Section 7(l) has been fulfilled; and

(ii) They have carefully examined the Preliminary Offering Memorandum and the Offering Memorandum and, in their opinion (i) as of their respective dates and as of the Closing Date, the Preliminary Offering Memorandum and the Offering Memorandum did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) since the date of the Offering Memorandum, no event has occurred which should have been set forth in a supplement or amendment to the Offering Memorandum.

(l) None of the Issuers nor any of their subsidiaries shall have sustained since the date of the latest audited financial statements included in the Offering Memorandum (i) any loss or interference with their business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Offering Memorandum or (ii) any change in the capital stock or units, as the case may be, or long-term debt of the Issuers or any of their subsidiaries or any change, or any development involving a prospective change, that would have a Material Adverse Effect, otherwise than as set forth or contemplated in the Offering Memorandum, the effect of which, in any such case described in clause (i) or (ii), is, in the judgment of the Initial Purchasers, so material and adverse as to make it impracticable or inadvisable to proceed with the payment for and delivery of the Initial Notes being delivered on such Closing Date on the terms and in the manner contemplated in the Offering Memorandum.

(m) Simpson Thacher & Bartlett shall have been furnished with such other documents and opinions, in addition to those set forth above, as they may reasonably

require for the purpose of enabling them to review or pass upon the matters referred to in this Agreement and in order to evidence the accuracy, completeness or satisfaction in all material respects of any of the representations, warranties or conditions herein contained.

(n) Subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded the Issuers' debt securities by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities 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 Issuers' debt securities.

(o) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Issuers on any exchange or in the over-the-counter market, shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with the public offering or delivery of the Notes being delivered on such Closing Date on the terms and in the manner contemplated in the Offering Memorandum.

(p) The Initial Notes shall have been approved by the National Association of Securities Dealers, Inc. for trading in the PORTAL market.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel of the Initial Purchasers.

8. Indemnification and Contribution.

(a) Each of the Issuers hereby jointly and severally agrees to indemnify and hold harmless the Initial Purchasers, their officers and employees and each person, if any, who controls the Initial Purchasers within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which the Initial Purchasers, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum or the Offering Memorandum (in each case as amended or

supplemented) and (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum or the Offering Memorandum (in each case as amended or supplemented) any material fact required to be stated therein or necessary to make the statements therein not misleading; and shall reimburse the Initial Purchasers and each such officer, employee or controlling person promptly upon demand with reasonable documentation for any legal or other expenses reasonably incurred by the Initial Purchasers, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Issuers shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission in the Preliminary Offering Memorandum, if such untrue statement or alleged untrue statement or omission or alleged omission is corrected in all material respects in the Offering Memorandum or an amendment or supplement to the Offering Memorandum, as applicable, and the Initial Purchasers thereafter fails to deliver such Offering Memorandum as so amended or supplemented, as applicable, prior to or concurrently with the sale of the Initial Notes to the person asserting such loss, claim, damage, liability or expense after the Issuers had furnished such Initial Purchaser with a sufficient number of copies of the same; provided, further, that the Issuers shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Offering Memorandum or the Offering Memorandum (in each case as amended or supplemented) in reliance upon and in conformity with written information provided by the Initial Purchasers specifically for inclusion therein. The foregoing indemnity agreement is in addition to any liability which the Issuers and their subsidiaries may otherwise have to the Initial Purchasers or to any officer, employee or controlling person of the Initial Purchasers.

(b) The Initial Purchasers shall indemnify and hold harmless the Issuers, their respective directors, managers, officers, employees or agents, and each person, if any, who controls the Issuers within the meaning of the Securities Act, from and against any loss, claim, damage, liability, expense or any action in respect thereof, to which the Issuers or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability, expense or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum or the Offering Memorandum (in each case as amended or supplemented) or (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum or the Offering Memorandum (in each case as amended or supplemented) any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning the Initial Purchasers furnished to the Issuers by or on behalf of the Initial Purchasers specifically for inclusion therein, and shall reimburse the Issuers and any such director, manager, officer, employee, agent or controlling person for any legal or other expenses reasonably incurred by the Issuers or any such director, manager, officer, employee, agent or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability, expense or action as

such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Initial Purchasers may otherwise have to the Issuers or any such director, manager, officer, employee, agent or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of the notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall have notified the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ separate counsel to represent jointly the indemnified party and the Initial Purchasers and their respective officers, managers, employees, agents and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Initial Purchasers against the indemnifying party under this Section 8 if, in the reasonable judgment of the indemnified party it is advisable for the indemnified party and the Initial Purchasers, officers, managers, employees, agents and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party only if (i) the indemnifying party has agreed to pay such fees or expenses, (ii) the indemnifying party has failed to assume the defense of such claim or (iii) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest may exist between such person and the indemnifying party with respect to such claims and the representation of both would be inappropriate (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person). In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to local counsel). Each indemnified party, as a condition of the indemnity agreements contained in Section 8, shall use its best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified

party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Issuers on the one hand and the Initial Purchasers on the other from the offering of the Initial Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuers on the one hand and the Initial Purchasers on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Issuers on the one hand and the Initial Purchasers on the other with respect to such offerings shall be deemed to be in the same proportion as the total net proceeds from the offering of the Initial Notes purchased under this Agreement (before deducting expenses) received by the Issuers on the one hand, and the total discounts and commissions received by the Initial Purchasers with respect to the Initial Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Initial Notes under this Agreement, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Issuers or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Issuers and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), 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 Section 8(d), the Initial Purchasers shall not be required to contribute any amount in excess of the amount by which the total price at which the Initial Notes purchased by it were resold to Eligible Purchasers exceeds the amount of any damages which the Initial Purchasers has otherwise paid or become liable to pay by reason of any 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 Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The Initial Purchasers confirm and the Issuers acknowledge that the last paragraph on the cover page, the stabilization legend on page iii, and the second, third, fifth, sixth, ninth, tenth, eleventh and twelfth paragraphs of the section entitled "Plan of Distribution" constitute the only information concerning the Initial Purchasers furnished in writing to the Issuers by or on behalf of the Initial Purchasers specifically for inclusion in the Preliminary Offering Memorandum or the Offering Memorandum.

9. Termination. The obligations of the Initial Purchasers hereunder may be terminated by Lehman Brothers Inc. by notice given to any of the Issuers prior to delivery of and payment for the Initial Notes if, prior to that time, any of the events described in Sections 7(l), 7(n) or 7(o) shall have occurred or if the Initial Purchasers shall decline to purchase the Initial Notes for any reason permitted under this Agreement.

10. Reimbursement of Initial Purchasers' Expenses. If the Issuers shall fail to tender the Initial Notes for delivery to the Initial Purchasers by reason of any failure, refusal or inability on the part of the Issuers to perform any agreement on their part to be performed, or because any other condition of the Initial Purchasers' obligations hereunder required to be fulfilled by the Issuers is not fulfilled, the Issuers will reimburse the Initial Purchasers for all reasonable and documented out-of-pocket expenses (including the fees and disbursements of their counsel) incurred by the Initial Purchasers in connection with this Agreement and the proposed purchase of the Initial Notes, and upon demand the Issuers shall pay the full amount thereof to Lehman Brothers Inc.

11. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) If to the Initial Purchasers, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Syndicate Department (Fax: 212-526-6588), with a copy to Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attention: John B. Tehan, Esq. (Fax: 212-455-2502); and

(b) If to Issuers shall be delivered or sent by mail, telex or facsimile transmission to Avalon Cable LLC, 201 East 69th Street, Suite PH-G, New York, New York, 10021, Attention: President (Fax 212-501-8695), with a copy to Kirkland & Ellis, 200 East Randolph Drive, Chicago, Illinois 60601, Attention: Jill Sugar Factor, Esq. (Fax 312-861-2200).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Issuers shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers. Any notice of a change of address or facsimile transmission number must be given by the Issuers or by the Initial Purchasers, as the case may be, in writing, at least three days in advance of such change.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers and their successors. This

Agreement and the terms and provisions hereof are for the sole benefit of only the Issuers and the Initial Purchasers, except that the representations, warranties, indemnities and agreements of the Issuers contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, entitled to indemnification and contribution thereunder.

Nothing in this Agreement shall supersede the provisions of the engagement letter among ABRY Partners, Inc., Spartacus Holdings Co., Spartacus Acquisition Co. and Lehman Brothers Inc. dated as of June 3, 1998.

13. Survival. The respective indemnities, representations, warranties and agreements of the Initial Purchasers and the Issuers contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Initial Notes and shall remain in full force and effect, regardless of any investigation made by on behalf of any of them or any person controlling any of them.

14. Definition of the Terms "Business Day." For purposes of this Agreement "business day" means any day on which the New York Stock Exchange, Inc. is open for trading.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

16. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

17. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[signature page follows]

If the foregoing correctly sets forth the agreement between the Initial Purchasers and the Issuers, please indicate your acceptance in the space provided for the purpose below.

Very truly yours,

AVALON CABLE LLC

By: /s/ Jay M. Grossman

Name: Jay M. Grossman
Title: Vice President & Assistant Secretary

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

By: /s/ Jay M. Grossman

Name: Jay M. Grossman
Title: Vice President & Assistant Secretary

AVALON CABLE HOLDINGS FINANCE, INC.

By: /s/ Jay M. Grossman

Name: Jay M. Grossman
Title: Vice President & Assistant Secretary

Accepted:

LEHMAN BROTHERS INC.,
on behalf of the Initial Purchasers

By: /s/ Edward B. McGeough

Name: Edward B. McGeough
Title: Managing Director

SCHEDULE 1

Initial Purchaser	Principal Amount at Maturity of Notes
Lehman Brothers Inc.	$166,600,000
Barclays Capital Inc.	29,400,000
Total	$196,000,000

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

Dated as of December 10, 1998

Among

AVALON CABLE LLC

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

AVALON CABLE HOLDINGS FINANCE, INC.

as Issuers

and

LEHMAN BROTHERS INC.

BARCLAYS CAPITAL

as Initial Purchasers

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This Registration Rights Agreement (this "Agreement") is made and entered into as of December 10, 1998 by and among Avalon Cable LLC, a Delaware limited liability corporation ("Avalon Holdings"), Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings "), Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Finance Holdings"), and Lehman Brothers Inc. and Barclays Capital ("Barclays" and, together with Lehman, the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated as of December 3, 1998, among the Issuers and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Issuers to the Initial Purchasers of $196,000,000 aggregate principal amount at maturity of the Issuers' 11 7/8% Senior Discount Notes due 2008 (the "Senior Discount Notes"). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuers have agreed to provide the registration rights set forth in this Agreement for the benefit of the Initial Purchasers and their direct and indirect transferees and assigns. The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligations to purchase the Senior Discount Notes under the Purchase Agreement. Capitalized terms used but not specifically defined herein have the respective meanings ascribed thereto in the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date on which the Senior Discount Notes were sold.

Commission: The Securities and Exchange Commission.

Consummate: A registered Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness under the Securities Act of the Exchange Offer Registration Statement relating to the New Notes to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof and (iii) the delivery by the Issuers of the New Notes in the same aggregate principal amount as the aggregate principal amount of Transfer Restricted Securities that were validly tendered by Holders thereof pursuant to the Exchange Offer.

Effectiveness Target Date: As defined in Section 5(a) hereof.

Event Date: As defined in Section 5(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Issuers under the Securities Act of the New Notes pursuant to a Registration Statement pursuant to which the Issuers offer the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for New Notes in an aggregate principal

amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the Prospectus which forms a part thereof.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Senior Discount Notes, pursuant to the Purchase Agreement, solely to (i) persons whom the Initial Purchasers reasonably believe to be "qualified institutional buyers," as such term is defined in Rule 144A under the Securities Act, and (ii) to persons other than U.S. Persons in offshore transactions meeting the requirements of Rule 903 and Rule 904 of Regulation S under the Securities Act.

Filing: As defined in Section 3(a)(i) hereof.

Holder: As defined in Section 2(b) hereof.

Indenture: The Indenture, dated as of December 10, 1998, among the Issuers and The Bank of New York, as trustee (the "Trustee"), pursuant to which the Senior Discount Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Initial Purchasers: As defined in the preamble hereto.

Issuers: Initially, Michigan Holdings, Avalon Holdings and Finance Holdings; provided that, subsequent to the Reorganization (as defined in the Indenture), the Issuers shall be Avalon Holdings and Finance Holdings.

Liquidated Damages: As defined in Section 5(a) hereof.

NASD: National Association of Securities Dealers, Inc.

New Notes: The New Senior Discount Notes to be issued pursuant to the Indenture in the Exchange Offer.

Participant: As defined in Section 8(a) hereof.

Person: An individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Registration Default: As defined in Section 5(a) hereof.

Registration Statement: Any registration statement of the Issuers relating to (a) an offering of New Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in either case, which is filed pursuant to the provisions of this Agreement and including the Prospectus included

therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Securities Act: The Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 4(a) hereof.

Shelf Registration Statement: As defined in Section 4(a) hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb), as amended.

Transfer Restricted Securities: Each Note, until the earliest to occur of (a) the date on which such Note has been exchanged by a person other than a Broker-Dealer for a New Note in the Exchange Offer, (b) following the exchange by a Broker-Dealer in the Exchange Offer of a Note for a New Note, the date on which such New Note is sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement and (d) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144 under the Securities Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Issuers are sold to an underwriter for reoffering to the public.

2. Securities Subject to This Agreement.

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

3. Registered Exchange Offer.

(a) The Issuers shall (i) cause to be filed with the Commission (the "Filing") on or prior to March 31, 1999, an Exchange Offer Registration Statement under the Securities Act relating to the New Notes and the Exchange Offer, (ii) use their best efforts to cause such Exchange Offer Registration Statement to be declared effective by the Commission on or prior to 90 days after the date of the Filing, (iii) in connection with the foregoing, file (A) all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause such Exchange Offer Registration Statement to be declared effective by the Commission, (B) if applicable, a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Securities Act and (C) cause all necessary filings in connection with the registration and qualification of the New Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer and (iv) unless the Exchange Offer would not be permitted by applicable law or Commission policy, the Issuers will commence the Exchange Offer and use their best efforts to issue on or prior to 30 business days after the date on which such Registration Statement was declared effective by the Commission, New Notes in exchange for all Senior Discount Notes tendered prior thereto in the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the New Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of New Notes held by Broker-Dealers as contemplated by Section 3(c) below. The date referred to in (i) of this Section 3(a) shall be changed to account for, and the business day periods referred to in (ii) and (iv) of this Section 3(a) shall not be deemed to include, any period during which the Issuers are pursuing a Commission ruling pursuant to Section 6(a)(i) below.

(b) The Issuers shall use their best efforts to cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Issuers shall cause the Exchange Offer to comply in all material respects with all applicable federal and state securities laws. No securities other than the New Notes shall be included in the Exchange Offer Registration Statement. The Issuers shall use their best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has been declared effective by the Commission, but in no event later than 30 business days thereafter.

(c) The Issuers shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Securities that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Issuers), may exchange such Securities pursuant to the Exchange Offer; provided, however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the New Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of New Notes held by any such Broker-

Dealer except to the extent required by the Commission as a result of a change in policy announced after the date of this Agreement.

The Issuers shall use their best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary to ensure that it is available for resales of New Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities and to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Issuers shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon request at any time during such 180-day period in order to facilitate such resales.

4. Shelf Registration.

(a) Shelf Registration. If (i) the Issuers are not permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or (ii) if any Holder of Transfer Restricted Securities that is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) or an institutional "accredited investor" (as defined in Rule 501(A)(1), (2), (3) or (7) under the Securities Act) shall notify the Issuers prior to the 20th day following the Consummation of the Exchange Offer (A) that such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer or (B) that such Holder may not resell the New Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) that such Holder is a Broker-Dealer and holds Senior Discount Notes acquired directly from the Issuers or one of their affiliates, then the Issuers shall in lieu of, or in the event of (ii) above, in addition to, effecting the registration of the New Notes pursuant to the Exchange Offer Registration Statement use their best efforts to:

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Securities Act, which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement"), on or prior to the earlier to occur of (1) the 45th day after the date on which the Issuers determine that they are not required to file the Exchange Offer Registration Statement or (2) the 45th day after the date on which the Issuers receive notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) above (such earlier date being the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities the Holders of which shall have provided the information required pursuant to Section 4(b) hereof; and

(y) cause such Shelf Registration Statement to be declared effective by the Commission on or before the 90th day after the Shelf Filing Deadline.

The Issuers shall use their best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for resales of Senior Discount Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a) and to ensure that it conforms with the requirements of this Agreement, the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period ending on the second anniversary of the Closing Date.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Issuers in writing, within 20 business days after receipt of a request therefor, such information as the Issuers may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have used its best efforts to provide all such reasonably requested information. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make the information previously furnished to the Issuers by such Holder not materially misleading.

5. Liquidated Damages

(a) If (a) any of the Registration Statements required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (b) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness in this Agreement (the "Effectiveness Target Date"), (c) the Exchange Offer has not been Consummated within 30 business days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (d) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose during the period specified in Section 3 or 4 of this Agreement, as applicable, without being succeeded within two business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such event referred to in clauses (a) through (d), a "Registration Default"), additional cash interest ("Liquidated Damages") shall accrue to each Holder of the Senior Discount Notes in an amount equal to, with respect to the first 90-day period immediately following the occurrence of the first Registration Default, $.05 per week per $1,000 principal amount at maturity of Senior Discount Notes held by such Holder. The amount of Liquidated Damages will increase by an additional $.05 per week per $1,000 principal amount at maturity of Senior Discount Notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages for all Registration Defaults of $.50 per week per $1,000 principal amount at maturity of Senior Discount Notes. All accrued Liquidated Damages shall be paid to Holders by the Issuers on semi-annual payment dates that correspond to the accretion dates (or, on or after December 1, 2003, the semi-annual interest payment

date) pursuant to the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of Liquidated Damages with respect to such Transfer Restricted Securities will cease.

All obligations of the Issuers set forth in the preceding paragraph that have accrued and are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

(b) The Issuers shall notify the Trustee within one business day after each and every date on which an event occurs in respect of which Liquidated Damages are required to be paid (an "Event Date"). Liquidated Damages shall be paid by depositing Liquidated Damages with the Trustee, in trust, for the benefit of the Holders of the Senior Discount Notes, on or before the applicable semi-annual payment dates that correspond to the accretion dates (or, on or after December 1, 2003, the semi-annual interest payment date) (whether or not any payment other than Liquidated Damages is payable on such Senior Discount Notes), in immediately available funds in sums sufficient to pay the Liquidated Damages then due to such Holders. Each obligation to pay Liquidated Damages shall be deemed to accrue from the applicable date of the occurrence of the Registration Default.

6. Registration Procedures.

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Issuers shall comply with all of the provisions of Section 6(c) below to the extent applicable, shall use their best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If in the reasonable opinion of counsel to the Issuers, there is a question as to whether the Exchange Offer is permitted by applicable law, the Issuers hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Issuers to Consummate an Exchange Offer for such Senior Discount Notes. The Issuers hereby agree to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Issuers hereby agree, however, to (A) participate in telephonic conferences with the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Issuers setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Issuers, prior to the Consummation thereof, a written representation to the Issuers (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Issuers, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the New Notes to be issued in the Exchange Offer and (C) it is acquiring the New Notes in its ordinary course of business. In addition, all such Holders of Transfer Restricted Securities shall otherwise cooperate in the Issuers' preparations for the Exchange Offer. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution

of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including Brown & Wood LLP (available February 7, 1997), and any no-action letter obtained pursuant to clause (i) above) and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of New Notes obtained by such Holder in exchange for Senior Discount Notes acquired by such Holder directly from the Issuers.

(iii) Prior to the effectiveness of the Exchange Offer Registration Statement, the Issuers shall provide a supplemental letter to the Commission (A) stating that the Issuers are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991), Brown & Wood LLP (available February 7, 1997) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that the Issuers have not entered into any arrangement or understanding with any Person to distribute the New Notes to be received in the Exchange Offer and that, to the best of the Issuers' information and belief, each Holder participating in the Exchange Offer is acquiring the New Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the New Notes received in the Exchange Offer.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, (i) the Issuers shall comply with all the provisions of Section 6(c) below to the extent applicable and shall use their best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Issuers will as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof and (ii) the Issuers shall not be required to undertake an underwritten offering unless (A) a Holder or Holders requesting to participate in such underwritten offering, individually or in the aggregate, hold at least $50,000,000 aggregate principal amount at maturity of Senior Discount Notes and/or New Notes, as the case may be, and (B) such Holder or Holders request that at least $50,000,000 aggregate principal amount at maturity of Senior Discount Notes and/or New Notes, as the case may be, be included in such underwritten offering.

(c) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Senior Discount Notes by Broker-Dealers), the Issuers shall:

(i) use their best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Issuers shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use their best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold or otherwise cease to be Transfer Restricted Securities; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in the case of a Shelf Registration, advise the underwriter(s), if any, and selling Holders promptly and, if requested by such Persons, to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has been declared effective by the Commission, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) if at any time the representations and warranties of the Issuers contemplated by paragraph (xi) below cease to be true and correct or (E) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or

supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Issuers shall use their best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) in the case of a Shelf Registration, furnish to each of the selling or exchanging Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (excluding all documents incorporated by reference after the initial filing of such Registration Statement, if any), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of at least five business days, and the Issuers will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus to which selling Holders of a majority in aggregate principal amount of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within five business days after the receipt thereof. A selling Holder or underwriter, if any, may reasonably object to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(v) in the case of a Shelf Registration, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, if any, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Issuers' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) in the case of a Shelf Registration, make available at reasonable times during normal business hours for inspection by the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Issuers and cause the Issuers' officers, directors, managers and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness;

(vii) in the case of a Shelf Registration, if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to

have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering, and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Issuers are notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) cause the Transfer Restricted Securities covered by the Registration Statement to be rated with the appropriate rating agencies, if so requested by the Holders of a majority in aggregate principal amount of Senior Discount Notes covered thereby or the underwriter(s), if any;

(ix) in the case of a Shelf Registration, furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein, if any, and all exhibits (including exhibits incorporated therein by reference);

(x) in the case of a Shelf Registration, deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Issuers hereby consent to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) in the case of a Shelf Registration, enter into such agreements (including an underwriting agreement) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may reasonably be requested by any purchaser or by any Holder of Transfer Restricted Securities or underwriter in connection with any sale or resale pursuant to any Registration Statement contemplated by this Agreement, and in connection with an Underwritten Registration, the Issuers shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may reasonably request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of the effectiveness of the Shelf Registration Statement, signed by (x) the Chief Executive Officer or the President and (y) the Vice President-Finance of the

Issuers, confirming, as of the date thereof, such matters as such parties may reasonably request;

(2) an opinion, dated the date of the effectiveness of the Shelf Registration Statement, of counsel for the Issuers, covering such matters as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers of the Issuers and with the independent public accountants for the Issuers concerning the preparation of such Registration Statement and the related Prospectus and, although such counsel has made certain inquiries and investigations in connection with the preparation of such Registration Statement and the related Prospectus, it is not passing upon and does not assume any responsibility for the accuracy, fairness or completeness of the statements contained in such Registration Statement and the related Prospectus, and on the basis of the foregoing such counsel's work in connection with this matter, relying as to questions of fact material to such opinion upon the opinions and statements of officers of the Issuers, nothing came to such counsel's attention to cause such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or that the Prospectus contained in such Registration Statement as of its date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no belief or opinion with respect to the financial statements, notes and schedules and other financial and statistical data included therein or omitted therefrom).

(3) an opinion, dated the date of effectiveness of the Shelf Registration Statement, of special counsel for the Issuers, covering such regulatory matters as such parties may reasonably request, concerning the Communications Act of 1934, as amended by the Telecommunications Act of 1996, or any order, rule or regulation of the Federal Communications Commission, as pertaining to the operations of the Issuers; and

(4) a customary comfort letter, dated the date of the effectiveness of the Shelf Registration Statement, from the Issuers' independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings.

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Issuers pursuant to this clause (xi), if any.

If at any time the representations and warranties of the Issuers contemplated in clause (A)(1) above cease to be true and correct, the Issuers shall so advise the Initial Purchasers and the underwriter(s), if any, and each selling Holder promptly and, if requested by such Persons, shall confirm such advice in writing.

(xii) in the case of a Shelf Registration, prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s) may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that none of the Issuers shall be required to register or qualify as a foreign corporation where it is not now so registered or qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in the case of a Shelf Registration, shall issue, upon the request of any Holder of Senior Discount Notes covered by the Shelf Registration Statement, New Notes in the same amount as the Senior Discount Notes surrendered to the Issuers by such Holder in exchange therefor or being sold by such Holder, such New Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Senior Discount Notes, as the case may be; in return, the Senior Discount Notes held by such Holder shall be surrendered to the Issuers for cancellation;

(xiv) in the case of a Shelf Registration, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xv) use their best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other

governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xvi) if any fact or event contemplated by clause (c)(iii)(E) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(xvii) provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide certificates for the Transfer Restricted Securities;

(xviii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use their best efforts to cause such Registration Statement to be declared effective by the Commission and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities; provided, however, that none of the Issuers shall be required to register or qualify as a foreign corporation where it is not now so registered or qualified or to take any action that would subject it to service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xix) otherwise use their best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to their security holders, as soon as practicable, a consolidated earning statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the respective Issuers' first fiscal quarter commencing after the effective date of the Registration Statement;

(xx) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Senior Discount Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA, and execute and use their best efforts to cause the Trustee to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xxi) provide promptly to each Holder upon request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act.

Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Issuers of the existence of any fact of the kind described in Section 6(c)(iii)(E) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xvi) hereof, or until it is advised in writing (the "Advice") by the Issuers that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Issuers, each Holder will deliver to the Issuers (at the Issuers' expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event the Issuers shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(iii)(E) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xvi) hereof or shall have received the Advice.

7. Registration Expenses.

All expenses incident to the Issuers' performance of or compliance with this Agreement will be borne by the Issuers, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any purchaser or Holder with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter" and its one counsel that may be required by the rules and regulations of the NASD)); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws (including reasonable and documented fees and disbursements of counsel for the underwriters or selling Holders in connection with Blue Sky qualifications of the Transfer Restricted Securities under the laws of such jurisdictions as the managing underwriters or Holders of a majority in aggregate principal amount of the Transfer Restricted Securities being sold may reasonably designate); (iii) all expenses of printing (including printing certificates for the New Notes to be issued in the Exchange Offer and printing of Prospectuses), and associated messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Issuers; (v) all application and filing fees in connection with listing Senior Discount Notes on a national securities exchange or automated quotation system, and the obtaining of a rating of the Senior Discount Notes, if applicable; (vi) all fees and disbursements of independent certified public accountants of the Issuers (including the expenses of any special audit and comfort letters required by or incident to such performance) and (vii) fees and expenses of other Persons retained by the Issuers.

The Issuers will, in any event, bear their internal expenses (including, without limitation, all salaries and expenses of their officers and employees performing legal or

accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuers.

8. Indemnification and Contribution.

(a) In connection with a Shelf Registration Statement or in connection with any delivery of a Prospectus contained in an Exchange Offer Registration Statement by any participating Broker-Dealer or the Initial Purchaser, as applicable, who seeks to sell New Notes, the Issuers, jointly and severally, shall indemnify and hold harmless each Holder of Transfer Restricted Securities included within any such Shelf Registration Statement and each participating Broker-Dealer or the Initial Purchasers selling New Notes, and each person, if any, who controls any such person within the meaning of Section 15 of the Securities Act (each, a "Participant") from and against any loss, claim, damage, liability and expense reasonably incurred by such Participant, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability, expense or action relating to purchases and sales of Senior Discount Notes and New Notes) to which such Participant or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability, expense or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement or any prospectus forming part thereof or in any amendment or supplement thereto or (ii) 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 shall reimburse each Participant promptly upon demand with reasonable documentation for any legal or other expenses reasonably incurred by such Participant in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability, expense or action as such expenses are incurred; provided, however, that (i) the Issuers shall not be liable in any such case to the extent that any such loss, claim, damage, liability, expense or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or any prospectus forming part thereof or in any such amendment or supplement in reliance upon and in conformity with written information furnished to the Issuers by or on behalf of any Participant specifically for inclusion therein; and provided further that as to any preliminary Prospectus or Prospectus, the indemnity agreement contained in this Section 8(a) shall not inure to the benefit of any such Participant or any controlling person of such Participant on account of any loss, claim, damage, liability, expense or action arising from the sale of the New Notes to any person by that Participant if (i) that Participant failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus or Prospectus was corrected in the Prospectus (including amendments thereto), unless, in each case, such failure resulted from non-compliance by the Issuers with Section 6(c)(x). The foregoing indemnity agreement is in addition to any liability which the Issuers may otherwise have to any Participant or to any controlling person of that Participant.

(b) Each Participant, severally and not jointly, shall indemnify and hold harmless the Issuers, their respective directors, managers, officers, employees or agents and each person, if any, who controls the Issuers within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage, liability, and expense reasonably incurred by such Person, or any action in respect thereof, to which the Issuers or any such director, manager, officer, employees or agents or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability, expense or action arises out of, or is based upon, (i) any untrue statement or alleged untrue

statement of a material fact contained in any preliminary Prospectus, Registration Statement or Prospectus or in any amendment or supplement thereto or (ii) 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, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Issuers by or on behalf of that Participant specifically for inclusion herein, and shall reimburse the Issuers and any such director, manager, officer, employee or agent or controlling person for any legal or other expenses reasonably incurred by the Issuers or any such director, manager, officer, employee or agent or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Participant may otherwise have to the Issuers or any such director, manager, officer or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall have notified the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ separate counsel to represent jointly the indemnified party and those other Participants and their respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Participants against the indemnifying party under this Section 8 if, in the reasonable judgment of the indemnified party it is advisable for the indemnified party and those Participants, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the indemnifying party only if (i) the indemnifying party has agreed to pay such fees or expenses, (ii) the indemnifying party has failed to assume the defense of such claim or (iii) in the reasonable judgment of any such Person, based upon written advice of its counsel, a conflict of interest may exist between such Person and the indemnifying party with respect to such claims and the representation of both would be inappropriate (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to local counsel). Each indemnified party, as a condition of the indemnity agreements contained in Section 8, shall use its best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or

threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, in such proportion as shall be appropriate to reflect the relative fault of the Issuers on the one hand and the Participants on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Issuers or the Participants, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Issuers and the Participants agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Participants were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), 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 Section 8(d), no Participant shall be required to contribute any amount in excess of the amount by which proceeds received by such Participant from an offering of the Senior Discount Notes exceeds the amount of any damages which such Participant has otherwise paid or become liable to pay by reason of any 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 Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Participants' obligations to contribute as provided in this Section 8(d) are several and not joint.

9. Rule 144A.

Each of the Issuers hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

10. Participation in Underwritten Registrations.

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

11. Selection of Underwriters.

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided that such investment bankers and managers must be reasonably satisfactory to the Issuers.

12. Miscellaneous.

(a) Remedies. The Issuers agree that monetary damages (including Liquidated Damages) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Issuers will not on or after the date of this Agreement enter into any agreement with respect to their securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Issuers have not previously entered into any agreement granting any registration rights with respect to their securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuers' securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Senior Discount Notes. The Issuers will not take any action, or permit any change to occur, with respect to Senior Discount Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer unless such action or change is required by applicable law.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Issuers have obtained the written consent of Holders of a majority of the outstanding principal amount of then outstanding Transfer Restricted Securities. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may

be given by the Holders of a majority of the outstanding principal amount of then outstanding Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address of such Holder maintained by the Registrar under the Indenture; and

(ii) if to the Issuers:

Avalon Cable LLC
Avalon Cable of Michigan Holdings, Inc.
800 Third Avenue, Suite 3100
New York, New York 10022
Facsimile: 212-501-8695

With a copy to:

ABRY Partners, Inc.
18 Newbury Street
Boston, Massachusetts 02166
Facsimile: 617-859-8797

With a copy to:

Jill Sugar Factor
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Facsimile: 312-861-2200

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer

Restricted Securities; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement together with the other transaction documents is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Issuers with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(l) Required Consents. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Issuers or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

AVALON CABLE LLC

/S/ Joel C. Cohen
By:----------
Name: Joel C. Cohen
Title: President, Chief Executive Officer and Secretary

AVALON CABLE OF MICHIGAN HOLDINGS, INC.

/S/ Joel C. Cohen
By:----------
Name: Joel C. Cohen
Title: President, Chief Executive Officer and Secretary

AVALON CABLE HOLDINGS FINANCE, INC.

/S/ Joel C. Cohen
By:----------
Name: Joel C. Cohen
Title: President, Chief Executive Officer and Secretary

Accepted as of the date thereof:

LEHMAN BROTHERS INC.,
on behalf of the Initial Purchasers

By: /S/ Raymond A. Cubero

Name: Raymond A. Cubereo
Title: Sr. Vice President

EXHIBIT 5.1

KIRKLAND & ELLIS
PARTNERSHIPS INCLUDING PROFESSIONAL CORPORATIONS

200 East Randolph Drive
Chicago, Illinois 60601

To Call Writer Direct:
312 861-2000

Facsimile:
312 861-2200

May 26, 1999

Avalon Cable LLC,
Avalon Cable Holdings Finance, Inc.,
Avalon Cable of Michigan Holdings, Inc.,
Avalon Cable of Michigan, Inc.
800 Third Street
Suite 3100
New York, NY 10022

Re: Avalon Cable LLC,
Avalon Cable Holdings Finance, Inc.,
Avalon Cable of Michigan Holdings, Inc., and
Avalon Cable of Michigan, Inc.
Registration Statement on Form S-4
Registration No. 333-75415

Ladies and Gentlemen:

We are issuing this opinion letter in our capacity as special legal counsel to Avalon Cable LLC, a Delaware limited liability company ("Avalon Holdings"), and Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Holdings Finance" and, together with Avalon Holdings, the "Issuers") and Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings"), and Avalon Cable of Michigan, Inc., a Pennsylvania corporation, ("Avalon Michigan" and, together with Michigan Holdings, the "Guarantors" and, together with the Issuers, the "Registrants"), in connection with the proposed registration by the Issuers of up to $196,000,000 in aggregate principal amount of the Issuers' 11 7/8% Series B Senior Discount Notes due 2008 (the "Exchange Notes"), pursuant to a Registration Statement on Form S-4 (Registration No. 333-75415) originally filed with the Securities and Exchange Commission (the "Commission") on March 31, 1999, under the Securities Act of 1933, as amended (the "Act") (such Registration Statement, as amended or supplemented, is hereinafter referred to as the "Registration Statement"). The obligations of Avalon Holdings under the Exchange Notes will be guaranteed by the Guarantors (the

"Guarantees"). The Exchange Notes are to be issued pursuant to the Indenture (as supplemented, the "Indenture"), dated as of December 10, 1998, among Avalon Holdings, Michigan Holdings and Holdings Finance, as issuers, and The Bank of New York, as trustee, as supplemented by the Supplemental Indenture (the "Supplemental Indenture"), dated as of March 26, 1999, among Avalon Holdings, Michigan Holdings and Holdings Finance, as issuers, Avalon Michigan, as guarantor, and The Bank of New York, as trustee. The Guarantees are to be issued pursuant to the Supplemental Indenture. The Exchange Notes and the Guarantees are to be issued in exchange for and in replacement of the Issuers' outstanding 11 7/8% Senior Discount Notes due 2008 (the "Old Notes"), of which $196,000,000 in aggregate principal amount is outstanding.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary for the purposes of this opinion, including (i) the Certificate of Incorporation and By-Laws or limited liability company agreement, as applicable, of the Registrants, (ii) minutes and records of the corporate or limited liability company proceedings of the Registrants with respect to the issuance of the Exchange Notes and the Guarantees, (iii) the Registration Statement, and (iv) the Registration Rights Agreement, dated December 10, 1998, among Avalon Holdings, Michigan Holdings, Finance Holdings, Lehman Brothers Inc. and Barclays Capital.

For purposes of this opinion, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies and the authenticity of the originals of all documents submitted to us as copies. We have also assumed the genuineness of the signatures of persons signing all documents in connection with which this opinion is rendered, the authority of such persons signing on behalf of the parties thereto other than the Registrants and the due authorization, execution and delivery of all documents by the parties thereto other than the Registrants. As to any facts material to the opinions expressed herein which we have not independently established or verified, we have relied upon statements and representations of officers and other representatives of the Registrants and others. In rendering the opinion below regarding Avalon Michigan, we have relied on the opinion of Kirkpatrick & Lockhart LLP, which is filed as Exhibit 99.4 to the Registration Statement.

Our opinion expressed below is subject to the qualifications that we express no opinion as to the applicability of, compliance with, or effect of (i) any bankruptcy, insolvency, reorganization,

fraudulent transfer, fraudulent conveyance, moratorium or other similar law affecting the enforcement of creditors' rights generally, (ii) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), (iii) public policy considerations which may limit the rights of parties to obtain certain remedies and (iv) any laws except the laws of the State of New York, the General Corporation Law of the State of Delaware and the Delaware case law decided thereunder, the Limited Liability Company Act of the State of Delaware and the federal laws of the United States of America.

Based upon and subject to the assumptions, qualifications, assumptions and limitations and the further limitations set forth below, we are of the opinion that when (i) the Registration Statement becomes effective, (ii) the Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended, and (iii) the Exchange Notes have been duly executed and authenticated in accordance with the provisions of the Indenture and duly delivered to the purchasers thereof in exchange for the Old Notes, the Exchange Notes and the Guarantees will be validly issued and binding obligations of the Registrants.

We hereby consent to the filing of this opinion with the commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

This opinion is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein. We assume no obligation to revise or supplement this opinion should the present laws of the States of New York or Delaware or the federal law of the United States be changed by legislative action, judicial decision or otherwise.

This opinion is furnished to you in connection with the filing of the Registration Statement and is not to be used, circulated, quoted or otherwise relied upon for any other purpose.

Sincerely,

Kirkland & Ellis

EXHIBIT 12.1

Avalon Cable LLC

Computation of Ratio of Earnings to Fixed Charges

	For the period from inception (October 21, 1998) to December 31, 1998	For the three months ended March 31, 1999
Pre-Tax Income (loss) from continuing operations	42	173
Adjustments to net income(loss)		
Interest Expense	785	472
Rent Expense	23	29
Total Fixed Charges	808	501
Income from operations plus Fixed Charges	850	674
Ratio of earnings to fixed charges	1.05	1.35
Amount of the deficiency of earnings to fixed charges	N/A	N/A

EXHIBIT 12.2

Avalon Cable of Michigan Holdings, Inc.

Computation of Ratio of Earnings to Fixed Charges

	For the period from inception (June 2, 1998) to December 31, 1998	For the three months ended March 31, 1999
Pre-Tax Income (loss) from continuing operations	(675)	(264)
Adjustments to net income (loss)		
-		
Interest Expense	6,784	11,518
Rent Expense	43	250
Total Fixed Charges	6,827	11,768
Income from operations plus Fixed Charges	6,152	11,504
Ratio of earnings to fixed charges	--	--
Amount of the deficiency of earnings to fixed charges	675	264

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-4 (No. 333-75415) of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. of (i) our report dated March 30, 1999 relating to the consolidated financial statements of Avalon Cable of Michigan Holdings, Inc. and Subsidiaries as of December 31, 1998 and for the period from June 2, 1998 (inception) through December 31, 1998, (ii) our report dated March 30, 1999 relating to the consolidated financial statements of Avalon Cable of Michigan, Inc. and Subsidiaries as of December 31, 1998 and for the period from June 2, 1998 (inception) through December 31, 1998, (iii) our report dated March 30, 1999 relating to the consolidated financial statements of Cable Michigan, Inc. and Subsidiaries as of December 31, 1997 and November 5, 1998 and for each of the two years in the period ended December 31, 1997 and for the period from January 1, 1998 through November 5, 1998, (iv) our report dated March 30, 1999 relating to the consolidated financial statements of Avalon Cable LLC and Subsidiaries as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998, and (v) our report dated March 30, 1999 relating to the consolidated financial statements of Avalon Cable Holdings Finance, Inc. and Subsidiary as of December 31, 1998 and for the period from October 21, 1998 (inception) through December 31, 1998 which appear in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Historical Financial and Other Data" in such Prospectus. However, it should be noted that PricewaterhouseCoopers LLP has not prepared or certified such "Selected Historical Financial and Other Data."

/s/PRICEWATERHOUSECOOPERS LLP
PRICEWATERHOUSECOOPERS LLP

New York, New York
May 26, 1999

Consent of Independent Accountants

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-4 (No. 333-75415) of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. of our report dated September 11, 1998 relating to the financial statements of Amrac Clear View, a Limited Partnership as of May 28, 1998 and for the period from January 1, 1998 through May 28, 1998 which appear in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Historical Financial and Other Data" in such Prospectus. However, it should be noted that PricewaterhouseCoopers LLP has not prepared or certified such "Selected Historical Financial and Other Data."

/s/PRICEWATERHOUSECOOPERS LLP
PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts
May 26, 1999

Consent of Independent Accountants

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-4 (No. 333-75415) of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. of our report dated March 30, 1998 relating to the combined financial statements of the Combined Operations of Pegasus Cable Television of Connecticut, Inc. and the Massachusetts Operations of Pegasus Cable Television, Inc. as of December 31, 1996, 1997 and June 30, 1998 and for each of the three years in the period ended December 31, 1997 and for the period from January 1, 1998 through June 30, 1998 which appear in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Historical Financial and Other Data" in such Prospectus. However, it should be noted that PricewaterhouseCoopers LLP has not prepared or certified such "Selected Historical Financial and Other Data."

/s/PRICEWATERHOUSECOOPERS LLP
PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania
May 26, 1999

Exhibit 23.2

Consent of Independent Accountants

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-4 (No. 333-75415) of Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC, Avalon Cable Holdings Finance, Inc. and Avalon Cable of Michigan, Inc. of our report dated February 13, 1998 relating to the financial statements of Amrac Clear View, a Limited Partnership, which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Historical Financial and Other Data" in such Prospectus. However, it should be noted that Greenfield, Altman, Brown & Katz, P.C. has not prepared or certified such "Selected Historical Financial and Other Data."

/s/ Greenfield, Altman, Brown, Berger & Katz, P.C.

Greenfield, Altman, Brown, Berger & Katz, P.C.

Canton, Massachusetts
May 26, 1999

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Taconic Technology Corp.

We consent to the use of our reports included on page F-101 herein and to the reference to our firm under the heading "Experts" in Amendment No. 1 to the Form S-4 Registration Statement filed by Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc., Avalon Cable of Michigan, Inc.

Albany, New York
May 28, 1999

EXHIBIT 25.1

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FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) [_]

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
One Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

AVALON CABLE LLC
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-4029965 (I.R.S. employer identification no.)

AVALON CABLE HOLDINGS FINANCE, INC.
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-4029969 (I.R.S. employer identification no.)

AVALON CABLE OF MICHIGAN HOLDINGS, INC.
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	04-3423309 (I.R.S. employer identification no.)

AVALON CABLE OF MICHIGAN, INC.
(Exact name of obligor as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	23-2566891 (I.R.S. employer identification no.)
800 Third Avenue, Suite 3100 New York, New York (Address of principal executive offices)	10022 (Zip code)

Series B 11-7/8% Senior Discount Notes due 2008
(Title of the indenture securities)

==========
==========

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registrati
on Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 20th day of May, 1999.

THE BANK OF NEW YORK

By: /s/REMO J. REALE

Name: REMO J. REALE
Title: ASSISTANT VICE PRESIDENT

EXHIBIT 7

Consolidation Report of Condition of

THE BANK OF NEW YORK

of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business December 31, 1998, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 3,951,273
Interest-bearing balances	4,134,162
Securities:	
Held-to-maturity securities	932,468
Available-for-sale securities	4,279,246
Federal funds sold and Securities purchased under agreements to resell	3,161,626
Loans and lease financing receivables:	
Loans and leases, net of unearned income	37,861,802
LESS: Allowance for loan and lease losses	619,791
LESS: Allocated transfer risk reserve	3,572
Loans and leases, net of unearned income, allowance, and reserve	37,238,439
Trading Assets	1,551,556
Premises and fixed assets (including capitalized leases)	684,181

Other real estate owned		10,404
Investments in unconsolidated subsidiaries and associated companies		196,032
Customers' liability to this bank on acceptances outstanding		895,160
Intangible assets		1,127,375
Other assets		1,915,742
Total assets		$60,077,664
LIABILITIES		
Deposits:		
In domestic offices		$27,020,578
Noninterest-bearing		11,271,304
Interest-bearing		15,749,274
In foreign offices, Edge and Agreement subsidiaries, and IBFs		17,197,743
Noninterest-bearing		103,007
Interest-bearing		17,094,736
Federal funds purchased and Securities sold under agreements to repurchase		1,761,170
Demand notes issued to the U.S.Treasury	125,423	
Trading liabilities		1,625,632
Other borrowed money:		
With remaining maturity of one year or less		1,903,700
With remaining maturity of more than one year through three years		0
With remaining maturity of more than three years.		31,639

Bank's liability on acceptances executed and outstanding	900,390
Subordinated notes and debentures	1,308,000
Other liabilities	2,708,852
Total liabilities	54,583,127
EQUITY CAPITAL	
Common stock	1,135,284
Surplus	764,443
Undivided profits and capital reserves	3,542,168
Net unrealized holding gains (losses) on available-for-sale securities	82,367
Cumulative foreign currency translation adjustments	(29,725)
Total equity capital	5,494,537
Total liabilities and equity capital	$60,077,664

<
/TABLE>

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Reyni
Gerald L. Hassell Directors
Alan R. Griffith

EXHIBIT 99.1

LETTER OF TRANSMITTAL
To Tender for Exchange
Series B 11 7/8% Senior Discount Notes due 2008
of
AVALON CABLE LLC
AND
AVALON CABLE HOLDINGS FINANCE, INC.
Pursuant to the Prospectus Dated , 1999

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON [ ], 1999 UNLESS EXTENDED (THE "EXPIRATION DATE").

PLEASE READ CAREFULLY THE ATTACHED INSTRUCTIONS

If you desire to accept the Exchange Offer, this Letter of Transmittal should be completed, signed, and submitted to the Exchange Agent:

By Registered or Certified Mail or Overnight Courier:

The Bank of New York
101 Barclay Street
Floor 21 West
New York, New York 10286
Attn: Corporate Trust Trustee Administration

By Facsimile:
(For Eligible Institutions only)
(212) 815-5915
Confirm by telephone: ( ) - [name]

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS, OR TRANSMISSION VIA FACSIMILE, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

FOR ANY QUESTIONS REGARDING THIS LETTER OF TRANSMITTAL OR FOR ANY ADDITIONAL INFORMATION, YOU MAY CONTACT THE EXCHANGE AGENT BY TELEPHONE AT (800) OR BY FACSIMILE AT (212) 815-5915.

The undersigned hereby acknowledges receipt of the Prospectus dated [ ], 1999 (the "Prospectus") of Avalon Cable LLC, a Delaware limited liability company (the "Avalon Holdings") and Avalon Cable Holdings Finance, Inc. ("Holdings Finance" and, together with Avalon Holdings, the "Issuers"), and this Letter of Transmittal (the "Letter of Transmittal"), that together constitute the Issuers' offer (the "Exchange Offer") to exchange $1,000 in principal amount of its Series B 11 7/8% Senior Discount Notes due 2008 (the "New Notes"), which have been registered under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the "Securities Act"), pursuant to a Registration Statement for each $1,000 in principal amount of its outstanding 11 7/8% Senior Discount Notes due 2008 (the "Notes"), of which $196,000,000 aggregate principal amount at maturity is outstanding.

This Letter of Transmittal is to be used by holders of Notes if (i) certificates representing Notes are to be physically delivered to the Exchange Agent herewith by such holders; (ii) tender of Notes is to be made by book-entry transfer to the Exchange Agent's account at the Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth under the caption "The Exchange Offer--Procedures

for Tendering" in the Prospectus; or (iii) tender of Notes is to be made according to the guaranteed delivery procedures set forth under the caption "The Exchange Offer--Guaranteed Delivery Procedures" in the Prospectus; and, in each case, instructions are not being transmitted through the DTC Automated Tender Offer Program ("ATOP").

Holders of Notes that are tendering by book-entry transfer to the Exchange Agent's account at the Book-Entry Transfer Facility can execute the tender through ATOP for which the transaction will be eligible. The Book-Entry Transfer Facility participants that are accepting the Exchange Offer must transmit their acceptances to the Book-Entry Transfer Facility which will verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at the Book-Entry Transfer Facility. The Book-Entry Transfer Facility will then send an Agent's Message to the Exchange Agent for its acceptance. Delivery of the Agent's Message by the Book-Entry Transfer Facility will satisfy the terms of the Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message.

The undersigned hereby tenders the Notes described in Box 1 below (the "Tendered Notes") pursuant to the terms and conditions described in the Prospectus and this Letter of Transmittal. The undersigned is the registered owner of all the Tendered Notes and the undersigned represents that it has received from each beneficial owner of the Tendered Notes ("Beneficial Owners"), as described in Box 2 below, a duly completed and executed form of "Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner" accompanying this Letter of Transmittal, instructing the undersigned to take the action described in this Letter of Transmittal.

Subject to, and effective upon, the acceptance for exchange of the Tendered Notes, the undersigned hereby exchanges, assigns, and transfers to, or upon the order of, the Issuers, all right, title, and interest in, to, and under the Tendered Notes.

Please issue the New Notes exchanged for Tendered Notes in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions" below (Box 3), please send or cause to be sent the certificates for the New Notes (and accompanying documents, as appropriate) to the undersigned at the address shown below in Box 1.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney in fact of the undersigned with respect to the Tendered Notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver the Tendered Notes to the Issuers or cause ownership of the Tendered Notes to be transferred to, or upon the order of, the Issuers, on the books of the registrar for the Notes and deliver all accompanying evidences of transfer and authenticity to, or upon the order of, the Issuers upon receipt by the Exchange Agent, as the undersigned's agent, of the New Notes to which the undersigned is entitled upon acceptance by the Issuers of the Tendered Notes pursuant to the Exchange Offer, and (ii) receive all benefits and otherwise exercise all rights of beneficial ownership of the Tendered Notes, all in accordance with the terms of the Exchange Offer.

The undersigned understands that tenders of Notes pursuant to the procedures described under the caption "The Exchange Offer" in the Prospectus and in the instructions hereto will constitute a binding agreement between the undersigned and the Issuers upon the terms and subject to the conditions of the Exchange Offer, subject only to withdrawal of such tenders on the terms set forth in the Prospectus under the caption "The Exchange Offer--Withdrawal of Tenders." All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and any Beneficial Owner(s), and every obligation of the undersigned or any Beneficial Owners hereunder shall be binding upon the heirs, representatives, successors, and assigns of the undersigned and such Beneficial Owner(s).

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign, and transfer the Tendered Notes and that the Issuers will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges, encumbrances, and adverse claims

when the Tendered Notes are acquired by the Issuers as contemplated herein. The undersigned and each Beneficial Owner will, upon request, execute and deliver any additional documents reasonably requested by the Issuers or the Exchange Agent as necessary or desirable to complete and give effect to the transactions contemplated hereby.

The undersigned hereby represents and warrants that the information set forth in Box 2 is true and correct.

By accepting the Exchange Offer, the undersigned hereby represents and warrants that (i) the New Notes to be acquired by the undersigned and any Beneficial Owner(s) in connection with the Exchange Offer are being acquired by the undersigned and any Beneficial Owner(s) in the ordinary course of business of the undersigned and any Beneficial Owner(s), (ii) the undersigned and each Beneficial Owner are not engaging, do not intend to engage, and have no arrangement or understanding with any person to participate, in the distribution of the New Notes, (iii) except as otherwise disclosed in writing herewith, neither the undersigned nor any Beneficial Owner is an "affiliate," as defined in Rule 405 under the Securities Act, of the Issuers, and (iv) the undersigned and each Beneficial Owner acknowledge and agree that any person participating in the Exchange Offer with the intention or for the purpose of distributing the New Notes must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale of the New Notes acquired by such person and cannot rely on the position of the Staff of the Securities and Exchange Commission (the "Commission") set forth in the no-action letters that are discussed in the section of the Prospectus entitled "The Exchange Offer--Resale of the Old Notes." In addition, by accepting the Exchange Offer, the undersigned hereby (i) represents and warrants that, if the undersigned or any Beneficial Owner of the Notes is a Participating Broker-Dealer, such Participating Broker-Dealer acquired the Notes for its own account as a result of market-making activities or other trading activities and has not entered into any arrangement or understanding with either of the Issuers or any affiliate of either of the Issuers (within the meaning of Rule 405 under the Securities Act) to distribute the New Notes to be received in the Exchange Offer, and (ii) acknowledges that, by receiving New Notes for its own account in exchange for Notes, where such Notes were acquired as a result of market-making activities or other trading activities, such Participating Broker-Dealer will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes.

[_]CHECK HERE IF TENDERED NOTES ARE BEING DELIVERED HEREWITH.

[_]CHECK HERE IF TENDERED NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY DELIVERED TO THE EXCHANGE AGENT AND COMPLETE "Use of Guaranteed Delivery" BELOW (Box 4).

[_]CCHECK HERE IF TENDERED NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE "Use of Book-Entry Transfer" BELOW (Box 5).

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING THE BOXES

BOX 1
DESCRIPTION OF NOTES TENDERED
(Attach additional signed pages, if necessary)

Name(s) and Address(es) of Registered Note Holder(s), exactly as name(s) appear(s) on Note Certificate(s) (Please fill in, if blank)	Certificate Number(s) of Notes*	Aggregate Principal Amount Represented by Certificates	Aggregate Principal Amount Tendered**
	Total		

* Need not be completed by persons tendering by book-entry transfer.

** The minimum permitted tender is $1,000 in principal amount of Notes. All other tenders must be in integral multiples of $1,000 of principal amount. Unless otherwise indicated in this column, the principal amount of all Note Certificates identified in this Box 1 or delivered to the Exchange Agent herewith shall be deemed tendered. See Instruction 4.

BOX 2
BENEFICIAL OWNER(S)

State of Principal Residence of Each Beneficial Owner of Tendered Notes	Principal Amount of Tendered Notes Held for Account of Beneficial Owner

BOX 3

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 5, 6 AND 7)

To be completed ONLY if New Notes exchanged for Notes and untendered Notes are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail New Note(s) and any untendered Notes to: _____

Name(s): _____
(please print)

Address: _____
_____
_____
(include Zip Code)

Tax Identification or Social Security No.: _____

BOX 4

USE OF GUARANTEED DELIVERY
(SEE INSTRUCTION 2)

To be completed ONLY if notes are being tendered by means of a notice of guaranteed delivery.

Name(s) of Registered Holder(s): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

BOX 5

USE OF BOOK-ENTRY TRANSFER
(SEE INSTRUCTION 1)

To be completed ONLY if delivery of tendered notes is to be made by book-entry transfer.

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

BOX 6

TENDERING HOLDER SIGNATURE
(SEE INSTRUCTIONS 1 AND 5)
IN ADDITION, COMPLETE SUBSTITUTE FORM W-9

X _____
X _____
(Signature of Registered Holder(s) or Authorized Signatory)

Note: The above lines must be signed by the registered holder(s) of Notes as their name(s) appear(s) on the Notes or by persons(s) authorized to become registered holder(s) (evidence of which authorization must be transmitted with this Letter of Transmittal). If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer, or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. See Instruction 5.

Name: _____
(please print)

Title: _____

Address: _____
_____
_____
(include Zip Code)

Area Code and Telephone Number: _____

Signature Guarantee
(If required by Instruction 5)

X _____
(Authorized Signature)

Name of Firm: _____
(Must be an Eligible Institution as defined in Instruction 2)

Name(s): _____

Capacity: _____ Dated: _____

Street Address: _____
_____
(include Zip Code)

BOX 7
BROKER-DEALER STATUS

Area Code and Telephone Number: _____

[_]Check this box if the Beneficial Owner of the Notes is a Participating Broker-Dealer and such Participating Broker-Dealer acquired the Notes for its own account as a result of market-making activities or other trading activities.

Tax Identification or Social Security Number: _____

PAYORS' NAMES: AVALON CABLE OF MICHIGAN LLC,
AVALON CABLE OF NEW ENGLAND LLC AND
AVALON CABLE FINANCE, INC.

SUBSTITUTE Form W-9 Department of the Treasury Internal Revenue Service	Part 1--PLEASE PROVIDE YOUR TAXPAYER IDENTIFICATION NUMBER ("TIN") IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number or TIN / /
Payer's Request for Taxpayer Identification Number (TIN)	Part 2--Check the box if you are NOT subject to backup withholding under the provisions of section 3406(a)(1)(C) of the Internal Revenue Code because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding. [_]	
	CERTIFICATION--UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT, AND COMPLETE. SIGNATURE: DATE:	Part 3 Awaiting TIN(right arrow) [_]
	Name (if joint names, list first and circle the name of the person or entity whose number you enter in Part 1 below. See instructions if your name has changed.)	
	Address:	
	City, State and ZIP Code	
	List account number(s) here (optional)	

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP FOR ADDITIONAL DETAILS.

INSTRUCTIONS TO LETTER OF TRANSMITTAL

FORMING PART OF THE TERMS AND CONDITIONS
OF THE EXCHANGE OFFER

1. Delivery of this Letter of Transmittal and Notes. A properly completed and duly executed copy of this Letter of Transmittal, including Substitute Form W-9, and any other documents required by this Letter of Transmittal must be received by the Exchange Agent at its address set forth herein, and either certificates for Tendered Notes must be received by the Exchange Agent at its address set forth herein or such Tendered Notes must be transferred pursuant to the procedures for book-entry transfer described in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering" (and a confirmation of such transfer received by the Exchange Agent), in each case prior to 5:00 p.m., New York City time, on the Expiration Date. The method of delivery of certificates for Tendered Notes, this Letter of Transmittal and all other required documents to the Exchange Agent is at the election and risk of the tendering holder and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that the Holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. No Letter of Transmittal or Notes should be sent to the Issuers. Neither the Issuers nor the registrar is under any obligation to notify any tendering holder of the Issuers' acceptance of Tendered Notes prior to the closing of the Exchange Offer.

2. Guaranteed Delivery Procedures. Holders who wish to tender their Notes but whose Notes are not immediately available, and who cannot deliver their Notes, this Letter of Transmittal or any other documents required hereby to the Exchange Agent, or who cannot complete the procedures for book-entry transfer, prior to the Expiration Date, must tender their Notes according to the guaranteed delivery procedures set forth below, including completion of Box 4. Pursuant to such procedures: (i) such tender must be made by or through a firm which is a member of a recognized Medallion Program approved by the Securities Transfer Association Inc. (an "Eligible Institution") and the Notice of Guaranteed Delivery must be signed by the holder; (ii) prior to the Expiration Date, the Exchange Agent must have received from the holder and the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder, the certificate number(s) of the Tendered Notes and the principal amount of Tendered Notes, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the Expiration Date, this Letter of Transmittal, or facsimile thereof, or in the case of a book-entry transfer, an agent's message, together with the certificate(s) representing the Tendered Notes, or a confirmation of book-entry transfer of such notes into the Exchange Agent's account at the Book-Entry Transfer Facility, and any other documents required by this Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and (iii) such properly completed and duly executed Letter of Transmittal, or facsimile thereof, with any required signature guarantees, or in the case of a book-entry transfer, an agent's message, as well as all other documents required by this Letter of Transmittal together with the certificate(s) representing all Tendered Notes in proper form for transfer, or a confirmation of a book-entry transfer of such Tendered Notes into the Exchange Agent's account at the Book Entry Transfer Facility, must be received by the Exchange Agent within three New York Stock Exchange trading days after the Expiration Date. Any holder who wishes to tender Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery relating to such Notes prior to 5:00 p.m., New York City time, on the Expiration Date. Failure to complete the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a revocation of any Letter of Transmittal form properly completed and executed by an Eligible Holder who attempted to use the guaranteed delivery process.

3. Beneficial Owner Instructions to Registered Holders. Only a holder in whose name Tendered Notes are registered on the books of the registrar (or the legal representative or attorney-in-fact of such registered holder) may execute and deliver this Letter of Transmittal. Any Beneficial Owner of Tendered Notes who is not the registered holder must arrange promptly with the registered holder to execute and deliver this

Letter of Transmittal on his or her behalf through the execution and delivery to the registered holder of the Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner form accompanying this Letter of Transmittal.

4. Partial Tenders. Tenders of Notes will be accepted only in integral multiples of $1,000 in principal amount. If less than the entire principal amount of Notes held by the holder is tendered, the tendering holder should fill in the principal amount tendered in the columns labeled "Aggregate Principal Amount Tendered" of the box entitled "Description of Notes Tendered" (Box 1) above. The entire principal amount of Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Notes held by the holder is not tendered, then Notes for the principal amount of Notes not tendered and New Notes issued in exchange for any Notes tendered and accepted will be sent to the Holder at his or her registered address, unless a different address is provided in the appropriate box on this Letter of Transmittal, as soon as practicable following the Expiration Date.

5. Signatures on the Letter of Transmittal; Bond Powers and Endorsements; Guarantee of Signatures. If this Letter of Transmittal is signed by the registered holder(s) of the Tendered Notes, the signature must correspond with the name(s) as written on the face of the Tendered Notes without alteration, enlargement or any change whatsoever.

If any of the Tendered Notes are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any Tendered Notes are held in different names, it will be necessary to complete, sign and submit as many separate copies of the Letter of Transmittal as there are different names in which Tendered Notes are held.

If this Letter of Transmittal is signed by the registered holder(s) of Tendered Notes, and New Notes issued in exchange therefor are to be issued (and any untendered principal amount of Notes is to be reissued) in the name of the registered holder(s), then such registered holder(s) need not and should not endorse any Tendered Notes, nor provide a separate bond power. In any other case, such registered holder(s) must either properly endorse the Tendered Notes or transmit a properly completed separate bond power with this Letter of Transmittal, with the signature(s) on the endorsement or bond power guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of any Tendered Notes, such Tendered Notes must be endorsed or accompanied by appropriate bond powers, in each case, signed as the name(s) of the registered holder(s) appear(s) on the Tendered Notes, with the signature(s) on the endorsement or bond power guaranteed by an Eligible Institution.

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

Endorsements on Tendered Notes or signatures on bond powers required by this Instruction 5 must be guaranteed by an Eligible Institution.

Signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution unless the Tendered Notes are tendered (i) by a registered holder who has not completed the box set forth herein entitled "Special Delivery Instructions" (Box 3) or (ii) by an Eligible Institution.

6. Special Delivery Instructions. Tendering holders should indicate, in the applicable box (Box 3), the name and address to which the New Notes and/or substitute Notes for principal amounts not tendered or not accepted for exchange are to be sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

7. Transfer Taxes. The Issuers will pay all transfer taxes, if any, applicable to the exchange of Tendered Notes pursuant to the Exchange Offer. If, however, a transfer tax is imposed for any reason other than the transfer and exchange of Tendered Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or on any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Tendered Notes listed in this Letter of Transmittal.

8. Tax Identification Number. Federal income tax law requires that the holder(s) of any Tendered Notes which are accepted for exchange must provide the Issuers (as payor) with their correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual, is his or her social security number. If the Issuers are not provided with the correct TIN, the Holder may be subject to backup withholding and a $50 penalty imposed by the Internal Revenue Service. (If withholding results in an over-payment of taxes, a refund may be obtained.) Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each holder of Tendered Notes must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN), and that (i) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the Tendered Notes are registered in more than one name or are not in the name of the actual owner, consult the "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for information on which TIN to report.

The Issuers reserve the right in their sole discretion to take whatever steps are necessary to comply with the Issuers' obligation regarding backup withholding.

9. Validity of Tenders. All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of Tendered Notes will be determined by the Issuers in their sole discretion, which determination will be final and binding. The Issuers reserve the absolute right to reject any and all Notes not properly tendered or any Notes the Issuers' acceptance of which would, in the opinion of the Issuers' counsel, be unlawful. The Issuers also reserve the right to waive any defects, irregularities or conditions of tender as to particular Notes. The Issuers may not waive any condition to the Exchange Offer unless such condition is legally waiveable. In the event such a waiver by the Issuers gives rise to the legal requirement to do so, the Issuers will hold the Exchange Offer open for at least five business days thereafter. The Issuers' interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Notes must be cured within such time as the Issuers shall determine. Although the Issuers intend to notify holders of defects or irregularities with respect to tenders of Notes, neither the Issuers, the Exchange Agent nor any other person shall incur any liability for failure to give such notification. Tenders of Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Date.

10. Waiver of Conditions. The Issuers reserve the absolute right to amend, waive or modify any of the conditions in the Exchange Offer in the case of any Tendered Notes.

11. No Conditional Tender. No alternative, conditional, irregular, or contingent tender of Notes or transmittal of this Letter of Transmittal will be accepted.

12. Mutilated, Lost, Stolen or Destroyed Notes. Any tendering Holder whose Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated herein for further instructions.

13. Requests for Assistance or Additional Copies. Questions and requests for assistance and requests for additional copies of the Prospectus or this Letter of Transmittal may be directed to the Exchange Agent at the address indicated herein. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

14. Acceptance of Tendered Notes and Issuance of Notes; Return of Notes. Subject to the terms and conditions of the Exchange Offer, the Issuers will accept for exchange all validly tendered Notes as soon as practicable after the Expiration Date and will issue New Notes therefor as soon as practicable thereafter. For purposes of the Exchange Offer, the Issuers shall be deemed to have accepted tendered Notes when, as and if the Issuers have given written or oral notice (immediately followed in writing) thereof to the Exchange Agent. If any Tendered Notes are not exchanged pursuant to the Exchange Offer for any reason, such unexchanged Notes will be returned, without expense, to the undersigned at the address shown in Box 1 or at a different address as may be indicated herein under "Special Delivery Instructions" (Box 3).

15. Withdrawal. Tenders may be withdrawn only pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer--Withdrawal of Tenders."

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY
With Respect to
11 7/8% Senior Discount Notes due 2008
of
AVALON CABLE LLC
AND
AVALON CABLE HOLDINGS FINANCE, INC.
Pursuant to the Prospectus Dated , 1999

This form must be used by a holder of 11 7/8% Senior Discount Notes due 2008 (the "Notes") of Avalon Cable LLC, a Delaware limited liability company ("Avalon Holdings") and Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Holdings Finance" and, together with Avalon Holdings, the "Issuers"), who wish to tender Notes to the Exchange Agent pursuant to the guaranteed delivery procedures described in "The Exchange Offer--Guaranteed Delivery Procedures" of the Issuers' Prospectus, dated [ ], 1999 (the "Prospectus") and in Instruction 2 to the related Letter of Transmittal. Any holder who wishes to tender Notes pursuant to such guaranteed delivery procedures must ensure that the Exchange Agent receives this Notice of Guaranteed Delivery prior to the Expiration Date of the Exchange Offer. Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus or the Letter of Transmittal.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON [ ], 1999 UNLESS EXTENDED (THE "EXPIRATION DATE").

To: The Bank of New York
(the "Exchange Agent")

By Registered or Certified Mail or Overnight Courier:
The Bank of New York
101 Barclay Street
Floor 21 West
New York, New York 10286
Attn: Corporate Trust Trustee Administration

By Facsimile:
(For Eligible Institutions only)
(212) 815-5915
Confirm by telephone: ( ) -- [name]

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS, OR TRANSMISSION VIA FACSIMILE, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to the Issuers, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Notes set forth below pursuant to the guaranteed delivery procedures set forth in the Prospectus and in Instruction 2 of the Letter of Transmittal.

The undersigned hereby tenders the Notes listed below:

Certificate Number(s) (if known) of Notes or Account Number at the Book-entry Facility	Aggregate Principal Amount Represented	Aggregate Principal Amount Tendered

PLEASE SIGN AND COMPLETE

Signatures of Registered Holder(s) or Authorized Signatory: _____

Date: , 1999

Address: _____

Name(s) of Registered Holder(s): ____

Area Code and Telephone No. _____

This Notice of Guaranteed Delivery must be signed by the Holder(s) exactly as their name(s) appear on certificates for Notes or on a security position listing as the owner of Notes, or by person(s) authorized to become Holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must provide the following information.

Please print name(s) and address(es)

Name(s): _____

Capacity: _____

Address(es): _____

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States, or is otherwise an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees deposit with the Exchange Agent of the Letter of Transmittal (or facsimile thereof), together with the Notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Notes into the Exchange Agent's account at the Book-Entry Transfer Facility described in the Prospectus under the caption "The Exchange Offer--Guaranteed Delivery Procedures" and in the Letter of Transmittal) and any other required documents, all by 5:00 p.m., New York City time, on the third New York Stock Exchange trading day following the Expiration Date.

Name of Firm: _____

_____
(Authorized Signature)

Address: _____

_____
(Include Zip Code)

Name: _____
(Please Print)

Title: _____

Area Code and Tel. No.: _____

Dated: , 1999

DO NOT SEND SECURITIES WITH THIS FORM. ACTUAL SURRENDER OF SECURITIES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, AN EXECUTED LETTER OF TRANSMITTAL.

INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. Delivery of this Notice of Guaranteed Delivery. A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth herein prior to the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and sole risk of the holder, and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. As an alternative to delivery by mail, the holders may wish to consider using an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedures, see Instruction 2 of the Letter of Transmittal.

2. Signatures on this Notice of Guaranteed Delivery. If this Notice of Guaranteed Delivery is signed by the registered holder(s) of the Notes referred to herein, the signature must correspond with the name(s) written on the face of the Notes without alteration, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a participant of the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the Notes, the signature must correspond with the name shown on the security position listing as the owner of the Notes.

If this Notice of Guaranteed Delivery is signed by a person other than the registered holder(s) of any Notes listed or a participant of the Book-Entry Transfer Facility, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered holder(s) appears on the Notes or signed as the name of the participant shown on the Book-Entry Transfer Facility's security position listing.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and submit with the Letter of Transmittal evidence satisfactory to the Issuers of such person's authority to so act.

3. Requests for Assistance or Additional Copies. Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offer.

EXHIBIT 99.3

INSTRUCTIONS TO REGISTERED HOLDER AND/OR
BOOK-ENTRY TRANSFER FACILITY PARTICIPANT FROM BENEFICIAL OWNER
of
AVALON CABLE LLC
AND
AVALON CABLE HOLDINGS FINANCE, INC.
11 7/8% Senior Discount Notes Due 2008

To Registered Holder and/or Participant of the Book-Entry Transfer Facility:

The undersigned hereby acknowledges receipt of the Prospectus, dated [ ], 1999 (the "Prospectus") of Avalon Cable LLC, a Delaware limited liability company ("Avalon Holdings") and Avalon Cable Holdings Finance, Inc. ("Holdings Finance" and, together with Avalon Holdings, the "Issuers"), and the accompanying Letter of Transmittal (the "Letter of Transmittal"), that together constitute the Issuers' offer (the "Exchange Offer"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you, the registered holder and/or book-entry transfer facility participant, as to action to be taken by you relating to the Exchange Offer with respect to the 11 7/8% Senior Discount Notes due 2008 (the "Notes") held by you for the account of the undersigned.

The aggregate face amount of the Notes held by you for the account of the undersigned is (FILL IN AMOUNT):

$ of the 11 7/8% Senior Subordinated Notes due 2008.

With respect to the Exchange Offer, the undersigned hereby instructs you (CHECK APPROPRIATE BOX):

[_]TO TENDER the following Notes held by you for the account of the undersigned (INSERT PRINCIPAL AMOUNT OF NOTES TO BE TENDERED, IF ANY):

$

[_]NOT TO TENDER any Notes held by you for the account of the undersigned.

If the undersigned instruct you to tender the Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representation and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations that (i) the undersigned's principal residence is in the state of (fill in state) , (ii) the undersigned is acquiring the New Notes in the ordinary course of business of the undersigned, (iii) the undersigned is not engaging, does not engage, and has no arrangement or understanding with any person to participate in the distribution of the New Notes, (iv) the undersigned acknowledges that any person participating in the Exchange Offer for the purpose of distributing the New Notes must comply with the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "Act"), in connection with a secondary resale transaction of the New Notes acquired by such person and cannot rely on the position of the Staff of the Securities and Exchange Commission set forth in no-action letters that are discussed in the section of the Prospectus entitled "The Exchange Offer--Resales of the New Notes," and (v) the undersigned is not an "affiliate," as defined in Rule 405 under the Act, of any of the Issuers; (b) to agree, on behalf of the undersigned, as set forth in the Letter of Transmittal; and (c) to take such other action as necessary under the Prospectus or the Letter of Transmittal to effect the valid tender of such Notes.

SIGN HERE

Name of beneficial owner(s): _____

Signature(s): _____

Name (please print): _____

Address: _____

Telephone number: _____

Taxpayer Identification or Social Security Number: _____

Date: _____

EXHIBIT 99.4

KIRKPATRICK & LOCKHART LLP
1500 Oliver Building
Pittsburgh, Pennsylvania 15222-2312
Telephone (412) 355-6500
Facsimile (412) 355-6501`
www.kl.com

May 26, 1999

Avalon Cable of Michigan, Inc.
800 Third Street, Suite 3100
New York, New York 10022

Ladies and Gentlemen:

You have requested our opinion concerning the matters set forth below relating to the Supplemental Indenture dated as of March 26, 1999 (the "Supplemental Indenture"), by and among Avalon Cable LLC, a Delaware limited liability company ("Avalon LLC"), Avalon Cable of Michigan Holdings, Inc., a Delaware corporation ("Michigan Holdings"), Avalon Cable Holdings Finance, Inc., a Delaware corporation ("Avalon Finance"), Avalon Cable of Michigan, Inc., a Pennsylvania corporation ("Avalon-Pennsylvania"), and The Bank of New York, a New York banking corporation, as trustee (the "Trustee") under the Indenture dated as of December 10, 1998, by and among Michigan Holdings, Avalon LLC, Avalon Finance, and the Trustee, providing for the issuance of an aggregate principal amount at issuance of up to $160.4 million of 11-7/8% Senior Discount Notes due 2008 (the "Notes").

In connection with rendering the opinions set forth below, we have examined the Supplemental Indenture. As to certain matters of fact that are material to our opinions we have also examined and relied on certificates of public officials and certificates of the Chief Executive Officer, President and Secretary of Avalon-Pennsylvania (the "Officer's Certificates"). Copies of the Officer's Certificates have previously been furnished to you. We have not independently established any of the facts so relied on. With your permission, we have made no factual investigation other than our review of the documents referenced above.

We have assumed that each document submitted to us is accurate and complete, that each such document that is an original is authentic, that each such document that is a copy conforms to an authentic original, that all signatures on each such document are genuine, and that no changes in the facts certified in the Officer's Certificates or certificates of public officials have occurred or will occur after their respective dates. We have assumed that Avalon-Pennsylvania's Articles of Incorporation and Bylaws (the "Charter Documents") and all amendments to such Charter Documents have been adopted in accordance with all applicable legal requirements. We have also assumed that each natural person who has taken any action relevant to any of our opinions in the

capacity of director or officer was duly elected to that director or officer position and held that position when such action was taken. We have not verified any of those assumptions.

The opinions expressed in this opinion letter are limited to the laws of the Commonwealth of Pennsylvania. We are not opining on, and we assume no responsibility with respect to, the applicability to or effect on any of the matters covered herein of the laws of any other jurisdiction, Federal law, or the local laws of any jurisdiction. In this regard we note that the Indenture and the Supplemental Indenture provide that they are to be governed by New York law. Except to the extent expressly set forth below, we express no opinion as to the enforceability of the Indenture or the Supplemental Indenture. We express no opinion as to whether any of the transactions or arrangements constituting the Reorganization constitute deemed distributions to or for the benefit of shareholders as defined in the Pennsylvania Business Corporation Law of 1988, as amended, or as to the application of Pennsylvania statutes or rules of law relating to fraudulent transfers or as to the adequacy of the consideration for any of the transactions constituting the Reorganization. We also express no opinion as to the applicability or effect, if any, on the opinions rendered herein of the litigation described in Note 3 of the Notes to Condensed Consolidated Financial Statements of Cable Michigan, Inc. included in the Offering Memorandum dated December 3, 1998 relating to the Notes.

Based on the foregoing, and subject to the foregoing and the additional qualifications and other matters set forth below, it is our opinion that:

1. Avalon-Pennsylvania is a corporation duly incorporated and validly subsisting under the laws of the Commonwealth of Pennsylvania.

2. Avalon-Pennsylvania (a) has the requisite corporate power to execute, deliver, and perform its obligations under the Supplemental Indenture, (b) has taken all necessary corporate action to authorize the execution, delivery, and performance of the Supplemental Indenture, and (c) has duly executed and delivered the Supplemental Indenture.

3. The execution and delivery by Avalon-Pennsylvania of, and the performance by Avalon-Pennsylvania of its obligations under, the Supplemental Indenture do not violate Avalon-Pennsylvania's Articles of Incorporation or By-laws.

4. The execution and delivery by Avalon-Pennsylvania of, and the performance by Avalon-Pennsylvania of its obligations under, the Supplemental Indenture do not violate the Pennsylvania Business Corporation Law of 1988, as amended, or any other law, rule or regulation of the Commonwealth of Pennsylvania (except that we express no opinion as to compliance with any laws, rules or regulations governing or regulating securities matters).

We are furnishing this opinion letter to you solely in connection with the Supplemental Indenture. You may not rely on this opinion letter in any other connection, and it may not be

furnished to or relied upon by any other person for any purpose, without our specific prior written consent, except that (i) you may furnish a copy to your counsel, Kirkland & Ellis, who may rely upon this opinion letter as if this letter were addressed to it, and (ii) we hereby consent to the filing of this opinion letter as an exhibit to the registration statement that you have advised us you intend to file under the Securities Act of 1933 relating to the Notes.

The foregoing opinions are rendered as of the date of this letter. We assume no obligation to update or supplement any of our opinions to reflect any changes of law or fact that may occur.

Yours truly,

/s/ KIRKPATRICK & LOCKHART LLP

KIRKPATRICK & LOCKHART LLP